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Ideas on Liberty

NOVEMBER 1971

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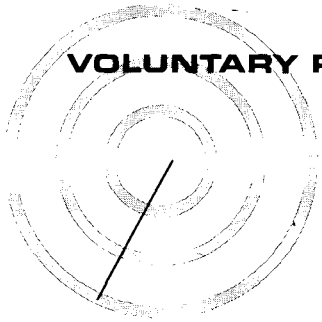

VOLUNTARY PARAMETERS

LEONARD E. READ

MY OBJECT here is to examine and comment upon a statement made by the Secretary of the Treasury:

"We are at the end of an era in in our economic policy. It will be the disposition of the American people to have as few constraints as possible after the 90-day freeze period, and if we can get voluntary compliance now we can avoid stringent controls later. But it would be unwise to think we can go back to where we were before. American business and labor may have to get used to the idea of living within certain parameters."[1]

First, what is a parameter within which we may have to live? The simplest definition to be found in the dictionary:

> . . . a quantity or constant whose value varies with the circumstances of its application, as the radius line of a group of concentric circles, which varies with the circle under consideration.

There are only a few in the whole nation who even know what parameters are, let alone how to live within them. Why the use of such a strange word? I suspect it is used for precisely the same reason that the Chairman of the Federal Reserve Board, some months earlier, borrowed and broadcast a British term, "incomes policy": to lessen the shock effect. The same applies to the more recent references to a "Stabilization Board."

To be open and above board about it, that is, to bluntly an-

[1] *The New York Times*, August 29, 1971, p. 1.

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nounce that we are in for wage and price controls and then rationing and that these mean an end to free market, private ownership practices, would not set well with a substantial number of citizens. So, what is the political approach? To ease into the statism being prepared for us by employing terms so vague that hardly anyone knows what the intentions are. "Parameters" and "incomes policy" are perfect examples of this beating around the bush.

Contradictory Terms

What are we to make of "voluntary compliance"? This is an absolute contradiction in terms. Put it this way: If you will not voluntarily jump out of the window, I shall take sterner measures to accomplish the same effect. Voluntary means something given or done by one's own free choice, the exercise of free will. Compliance means just the opposite: acquiescence or giving in.

In the days to come, this means that you yourself will either freeze wages and prices – regardless of supply and demand and what you would freely choose to do in the circumstances – or you will be compelled to do so. Respond to the threat of force, or down comes the force upon you! Voluntary, instead of meaning an exercise of one's own free will, turned around to mean that you are to behave according to somebody else's arbitrary will!

"We are at the end of an era in our economic policy." Most government officials believe we are, as do many businessmen, some columnists and so-called economists, and millions of others. Perhaps we are! But this verdict should not be glossed over and accepted lightly. At least, let us be aware of its meaning.

First, note that the antecedent of the rationing to come is the wage and price controls presently imposed. The antecedent of these controls is inflation brought on by excessive governmental expenditures and money issue – and these, in turn, caused by millions of misguided people looking to government for security, welfare, and prosperity.

Second, note that current official pronouncements make no mention of the above sequence of causes or the need for removing them. This merely means that the welfare state and its concomitant, the planned economy, are accepted and assumed as a *fait accompli;* the new order is here – the total state! Buy this, and we are, indeed, at the end of an era. Russia, China, Cuba, and others have beat us to it, of course, in this century. But the history of price-fixing extends back at least 46 centuries in

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Egypt, China, Athens, Rome, Britain, India, the colonial experience in America, to mention a few—always with the same sad report: the end of an era.[2]

"It would be unwise to think we can go back to where we were before." Was it unwise for England, following the Napoleonic Wars, to abandon mercantilism by repealing three-fourths of some 18,000 laws restricting production, exchange, and pricing? There followed the greatest outburst of creative energy and mass well-being ever known up to that time. On the contrary, the restrictive laws under which England is again falling would seem to be what is most unwise.

Back to Freedom

True, the ideal free economy has never existed anywhere. The nearest approximation has been in the U.S.A. Wisdom suggests that we turn back in that direction, doing everything within our power to head off any move to the contrary.

Economics, the study of how to mitigate the effects of scarcity, concerns the search for answers to what should be produced and in what amounts and whose satisfactions are to be served. The free market, featuring open competition and free entry, has the consumer as king. Each decides what he wants, in what quantities, and at what prices, where he shall work, how many hours, and at what wage. With free, unrestricted pricing as the guidelines, the free market is always working toward a balance of supply and demand. The free market works automatically and "shortages" and "surpluses" are not in its lexicon.

Abandon the free market, and not the consumer but the politician becomes king. In the "new era," that king, rather than you and I, decides what shall be produced, what we shall have, in what quantities, and at what price. Can that be wise?

[2] See "Food Control During Forty-Six Centuries" by Mary G. Lacy. Copy on request.

IDEAS ON LIBERTY

Ever the Same

IT IS EVER the same. When a government inflates the money or some other cause pushes prices upward, attempts are made to conceal the symptoms, rather than to attack inflation at its source or otherwise get at the root-cause.

F. A. HARPER, *Stand-by Controls*

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ECONOMICS and ETHICS

SEARCH FOR A MORAL ORDER

EDWARD P. COLESON

THE WORLD was inexpressibly shocked a quarter century ago, when, at the close of one of the most ghastly wars in history, the evidences of Nazi brutality became common knowledge. Without trying to excuse ourselves, the Bomb which we loosed on mankind could still be justified more easily than the mass liquidation of six million Jewish civilians. The Nuremberg Trials and subsequent soul searchings have never quite answered the question of why they did it or why many other things with which they had no connection have also happened in this civilized world. This has been even more of a mystery because, according to modern Western social theory, man is inherently good. Beginning with Rousseau a couple of centuries ago, philosophers, social theorists, and even theologians had decided that human beings were really very nice creatures and that their known failings could be readily eradicated by education and culture, because mankind was almost infinitely perfectible. In the late Victorian period with nearly a century of relative peace in Europe since Waterloo, with increasingly democratic governments on every hand, with decades of social and political reform an accomplished fact, and with many improvements which resulted from a host of scientific achievements in medicine and engineering, the utopian dreams of the ages seemed on the verge of fulfillment. It became the fashion then for people to look back with horror and amazement on the atrocities committed in the dark ages of the past. The following quotation from a popular writer of the "Gay Nineties" well illus-

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trates this attitude:

> The world contains no sadder memorial of man's inhumanity to man than London Tower. For centuries it was the home of sorrow and despair. The record of the victims of despotic cruelty who have endured imprisonment and suffered death within its walls renders one sick at heart, until he realizes that increasing civilization has at last made such atrocities impossible.[1]

Increasing civilization – nonsense! Any vicious, diabolical act perpetrated on mankind in the history of the world has been re-enacted in our time and on a mass production scale. The burning questions are why it has happened and what we can do to prevent further disasters.

The Classical Tradition of Natural Law

Our present dilemma is strangely reminiscent of other crises in history. After the Golden Age of Athens in the midst of the fifth century B.C. the Greek city states fell to fighting among themselves and well-nigh destroyed Greek civilization. After such a glorious epoch the collapse was a dramatic contrast, indeed, and the Greeks, always the theoreticians, busied themselves trying to figure out why the glory had so swiftly faded. It was then that the aged Socrates and his youthful student, Plato, attempted to diagnose the Greek ills and prescribe a remedy. Out of their soul searching and the later work of Plato's pupil, Aristotle, came the foundations of Western social, political, and economic theory. One aspect of this pioneer effort is of particular interest to us – the birth of the tradition of Natural Law. The concept of a Higher Law was not wholly new to Greek thought: years before, Sophocles had his heroine, Antigone, assure her monarch:

> Thy writ, O King,
> Hath not such potence as will overweigh
> The laws of God . . . fixed
> From everlasting to eternity.

During the so-called Golden Age, however, a new breed of thinkers, the Sophists, had undermined the Greek character by teaching their students to be clever rather than ethical. Moral standards were rejected: "Man is the measure of all things." The people of the time were well aware of the decline in character and there was the usual urge to return to the "good old days," but the decay was not arrested although they understood their problem. They seemed to be quite aware that the new relativistic code of the Sophists was their undoing: "Whirl is king," said

[1] John L. Stoddard's *Lectures*, Vol. IX, p. 259.

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Aristophanes, "having deposed Zeus." Therefore, with Plato and Aristotle we find the urge to discover a norm for human conduct which would be stable and permanent, a standard above and beyond ourselves. Aristotle[2] urged that "God and Reason alone [should] rule, . . . he who bids man rule adds an element of the beast. . . ." The tradition of the Natural Moral Law was continued by the Greek Stoic philosophers who passed it on to the Romans. One of the finest statements of legal philosophy was written by Cicero, the great orator, who lived when the Roman Republic was in its death throes. He speaks of a Higher Law that

> . . . cannot be contradicted by any other law, [which] neither the Senate nor the people can give us any dispensation for not obeying. . . . It is not one thing at Rome, and another at Athens; one thing today, and another tomorrow. . . . God himself is its author, its promulgator, its enforcer.[3]

The Christian Church and the Higher Law

With the rise of the Church within the Roman Empire it became the task of Christian thinkers to decide what they were going to do with Greek, to them pagan, philosophy (the Christians back then were much less given to playing "follow the leader" than they have been more recently). The Natural Moral Law sounded acceptably pious but the Greeks and Romans derived their guidance from "right reason," while the Hebrew-Christian tradition went back to the giving of the Law of God to Moses in the midst of thunder, earthquake, and smoke on Mount Sinai. The first was the product of deductive reasoning and conscience for the most part but the latter was simply given — given by God himself. Centuries later St. Thomas Aquinas (1225?-1274?) resolved the dilemma by an ingenious synthesis of both traditions:

> Thomas Aquinas made four categories of all law. At the top of his legal hierarchy he placed the Eternal Law of God which comprehended everything else. Beneath this was that portion of the Eternal Law which was revealed in the Bible and the Church. Next came Natural Law which was that part of the Eternal Law which man could comprehend by unaided reason. Finally, at the bottom, he placed the laws of particular governments which might be called Human Law.[4]

Back in 1215, however, before Saint Thomas was born, some

[2] Brendan F. Brown, *The Natural Law Reader*, p. 51.

[3] *Ibid.*, p. 54.

[4] Irving E. Howard, "The Theology of the Declaration of Independence," *Christian Economics* (June 11, 1957), p. 1.

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practical Englishmen took affairs in their own hands and wrested an historic document from their despotic king. This, of course, was the Magna Charta and the tyrant was King John, the Norman king of England, but even this was not a wholly pragmatic affair. Soon Henry de Bracton was to supply the theological foundation: "The King is under God and under the Law." Centuries later Englishmen would appeal to Bracton when they resisted Charles and James.

It is interesting to note that the American colonists two hundred years ago used William Blackstone's *Commentaries on the Laws of England* in much the same way in their quarrel with George III. The first volume of Blackstone's famous *Commentaries* came from the press in 1765 but the American colonists were so cordial in their reception of his ideas that a decade later Edmund Burke could tell Parliament on the eve of the American Revolution that "they have sold nearly as many of Blackstone's *Commentaries* in America as in England." The appeal was Blackstone's doctrine of Natural Law:

> This law of nature . . . dictated by God himself, is of course superior in obligation to any other. It is binding over all the globe in all countries, and at all times: no human laws are of any validity, if contrary to this; and such of them as are valid derive all their force, and all their authority . . . from this original.[5]

When Hitler came to power a few hardy Germans reminded him that God was their "Fuehrer," but the Higher Law was well-nigh forgotten and Hitler had his way with the German people. It is highly disturbing to compare the ease with which despots take over nations today as compared with the heroic resistance of our fathers to tyranny in the past. Evidently the iron has gone out of the soul of modern man. As William Penn said: "If men will not be governed by God, then they must be governed by tyrants."

God's Law and Economics

Now it would be a mistake to assume that back in some golden age there was a Christian commonwealth in which all the virtues flourished and men lived together as brothers. Every system devised by man since the beginning of time has been disfigured to some degree with the marks of human frailty. Nevertheless, we need not give up in despair: mere mortals have done quite well at times and no doubt could do so again. It is interesting to note that the great conscious attempt to let the economic life of the nations conform

[5] William Blackstone, *Commentaries on the Laws of England*, Vol. I, p. 31.

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to some abstract Higher Law was not during the Reformation era or the Puritan period in England, for instance, when men were presumably deeply concerned about following the divine mandate, but during the Age of Reason when theology was out of fashion. The religion of the times was Deism, a rather detached belief in a Supreme Being who created the universe and set it going according to Newton's Laws of Motion. As a result of the scientific revolution in astronomy and physics, dating back to Copernicus, Kepler, and Galileo which became the basis of the so-called Newtonian Synthesis somewhat later, the social philosophers of the time were convinced that there were also laws of human behavior, both individual and in the mass. Their belief in "law and order" contrasts strangely with the relativistic philosophies of our time as the familiar lines by Alexander Pope so clearly show:

> Nature and Nature's laws lay hid in night.
> God said, "Let Newton be!" and there was light.

One of our clever contemporaries brought the couplet up to date:

> But not for long. The devil howling, "Ho!
> Let Einstein be!" restored the status quo.[6]

[6] Richard C. Bernhard, *Economics*, p. 733.

An Orderly Universe

The pioneer economists believed that there are abiding principles in all of life, "laws" which man did not make and cannot alter. By contrast, as the second couplet suggests, our contemporaries believe that all is relative, that they can make up their rules as they go along and that, like prices nowadays, they are "subject to change without notice." It is beginning to appear that certain time-honored principles such as Gresham's Law are still with us and are rising from the rubble of our shattered schemes to mock us. Perhaps we will find that our Fathers were right after all.

Akin to the doctrine of Natural Law in human affairs was the conviction that there is a Natural Order, what should and could be a harmonious working together of everyone's interests, if each would play the game of life fairly. This concept reminds one of the familiar Balance of Nature, much talked about by ecologists today who fear we are upsetting Nature's plan. Much the same idea is expressed by St. Paul in the familiar dictum that "all things work together for good," if we but obey the Supreme Lawgiver (Romans 8: 28). If the economy would run by itself, better than any Keynesian bureaucrat ever could succeed in running it,

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let's let Nature do it for us then. The government – Jefferson's "simple, frugal affair" – could then retire to the side lines to serve as "umpire" with the rule being simply "no force and no fraud," as Robert M. Thornton[7] wrote recently.

It was upon this self-regulating Natural Order that Adam Smith based his economics: "There is an astonished tone in his work, as if he could hardly believe his own discoveries and sensed a quality of magic in them," as Richard C. Cornuelle[8] wrote a few years ago. There is impressive evidence, both positive and negative, to suggest that just perhaps Adam Smith was right after all – Victorian prosperity a century ago and the "German Economic Miracle" under Erhard after World War II as proof of what the free economy can accomplish and the dismal failure of a lot of socialist schemes as examples of the alternative approach.

Virtues of Self-Reliance

In an age of disintegrating social, political, and economic programs – New Deals, Great Leaps, and Five Year Plans – the claims of the self-regulating free economy deserve further consideration. In addition to the simplicity and economy of the approach, there is the very important fact that self-reliance and personal responsibility are encouraged. Like Horatio Alger, people take out their frustrations working instead of rioting, since they don't expect the government to take care of them. This approach maximizes productivity and minimizes violence: with famine a global threat and strikes, riots, and war a present reality, we could certainly use more productivity and less violence.

Almost inevitably if people have been schooled to expect the good things of life in ever increasing quantity from the hands of government, they will rebel when the promised abundance is not forthcoming – and if they sit and wait for it to come, it won't be forthcoming. People do not shoot the weatherman when there is a drought, because they don't think he is to blame. If people believed once more that God is the source of material blessings and that "God helps those who help themselves," violence would cease to be a factor in politics – we survived the Depression with little of it. Adam Smith's thesis that the economic problem will find its solution, as well as any human prob-

[7] Robert M. Thornton, "The War on the Poor," *Religion and Society* (Dec. 1970), p. 24.

[8] Richard C. Cornuelle, *Reclaiming the American Dream*, p. 48.

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lem ever is solved, when men work diligently and efficiently, and are fair in their dealings, is a proposition that deserves serious consideration once more, since alternative approaches have failed so miserably.

In an age when most people believe that the right is somehow impractical and unworkable, a noble ideal but hardly a guide for everyday action in business or on the international scene, Adam Smith's doctrine of the harmonious outworking of the true self-interest of all of us can scarcely be emphasized too strongly. What is truly good for labor is good for management, too, and the appropriate international economic policy for us would be good for our neighbors – Germany, Japan, and the rest. In the popular mind free enterprise means Darwin's doctrine of "survival of the fittest," a brutal struggle to the death, but *The Wealth of Nations* was published in 1776 and the *Origin of Species* did not appear until 1859.

A few years before Darwin the famous French economist, Frederic Bastiat,[9] asked: "How could God have willed that men should attain prosperity only through injustice and war?" To Bastiat, this doctrine of conflict is based on the "frightful blasphemy" that God created the world in such a fashion that decency and humanity are impossible. This is the Great Divide, the basic difference between mercantilism, ancient and modern, and laissez faire economics in the original meaning of that much misconstrued and misunderstood French phrase for the market economy. As the dean of American free enterprisers, the distinguished Austrian economist, Ludwig von Mises, wrote a few years ago, Adam Smith and the classical economists believed that

> . . . harmony prevails among the rightly understood or long term interests of all individuals and groups of individuals. Earlier ages had labored under the misapprehension that no man or group of men can profit but by the loss of others. In entirely demolishing this fallacy, economics paved the way for the unprecedented achievements of modern Western civilization.[10]

Capitalism: Debits and Credits

The question always arises why, if free enterprise was that good, the system did not continue to this hour. A number of circumstances, mostly beyond the early economists' power to alter, conspired to give laissez faire a bad public image. The part of the difficulty

[9] Frederic Bastiat, *Economic Sophisms*, p. 88.

[10] Ludwig von Mises, "Economic Freedom in the Present-day World," *Christian Economics* (Oct. 14, 1958), p. 1.

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which was of their own making we will dispose of first: Smith's followers, much more pessimistic than he, dreamed up "Iron Laws" of starvation wages and the like which soon gave economics its reputation as "that dismal science" (the economists of that era should have been aware that this was hardly good public relations).

Other things happened they couldn't prevent, but capitalism (to use Marx's phrase) got the blame. For instance, there were nearly twenty-five years of war between the fall of the Bastille in 1789 and Waterloo in 1815 – indeed, a global war. These years were hard for most people. This was followed by a severe post-war depression, as has commonly happened after modern wars. The Industrial Revolution was still in the primary stage of heavy investment (their children and grandchildren were to reap the benefits many years later). Then, of course, industrialists did take advantage of their help when they could, just as the hired man has taken advantage of the boss when he was able to do so more recently.

Many tears have been shed over such things as sanitary conditions which they neglected, in part through ignorance (Lister did not perform the first antiseptic operation in the history of the world until 1865); and also long hours of labor which seemed less shocking to ex-farmers back then than to generations of city slickers more recently (also the long labor day is misleading – the people back then tended to work in spurts and were not very steady on the job).

All in all, they had problems back then, although their socialist grandchildren may have worried more about it than the folks who survived this rather difficult period of history. Because of the real and imaginary failures of these old industrialists, the Capitalist era was relatively short. But before we take a look at the "Welfare State," which has its problems, too, we need to summarize the accomplishments of the Capitalist era and note how it was initiated in the first place.

Free Trade for England

We are perhaps inclined to believe that free enterprise sprouted spontaneously in England the day after Adam Smith's *Wealth of Nations* came from the press in 1776. The book *was* popular and greatly enhanced the author's reputation but it did not make much difference in practical policy until many years later. Although things had been loosening up for some time, the truly dramatic switch in English policy came with the Repeal of the Corn Laws in 1846, which led to a policy of free trade

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in general shortly thereafter. The Corn Laws were Britain's "farm program," a tariff policy that kept out foreign grain and thus made food unnecessarily expensive in England. With considerable help from a natural calamity, the tragic Irish Potato Famine, the Anti-Corn Law League, under the leadership of Richard Cobden and John Bright, succeeded in getting Peel's government to repeal the protective tariffs on grain. To Cobden and Bright this was a holy crusade, a campaign to make bread cheap and abundant for the masses as this ancient poem, dedicated to "R. Cobden," clearly shows:

God said, "Let there be light"; and lo,
Light sprang forth at His word.
God said, "Let there be bread"; but no,
Man heeded not the Lord.
But Cobden rose like wisdom's star
From knowledge's bright sea,
And knaves were hush'd and tyrants crush'd
And labour's bread was free.

The other nations of Western Europe followed the British lead and for a few decades in the latter part of the last century there was relatively free trade throughout much of the world.

The relationship of the United States to the open markets of Western Europe is most fascinating in view of our historic preference for protective tariffs. Actually we gained greatly by their decision to let us in. By some happy chance the opening up of the European market to foreign foodstuffs came just as we were getting ready to deliver a flood of it to them. About the time they decided to let our new-found abundance come in, we developed the tools to produce and market it. To mention a few innovations, a new plow was invented by John Deere which would break the prairie sod, and a reaper by McCormick which made commercial grain production possible; in the meantime a railroad system was laid out across the country which would get the crops to market. For instance, in 1853 Chicago[11] handled six million bushels of wheat, in 1855 the figure jumped to sixteen million bushels which then almost doubled to thirty-one million by 1860 (little wonder that Malthusian pessimism went out of fashion about 1850, as Lord Keynes tells us).[12]

All Nations Gain

But we must remember that European free trade made much of this possible: we would have had a staggering "agricultural surplus" by 1860 if all of this had

[11] John Chamberlain, *The Enterprising Americans*, p. 98.

[12] John Maynard Keynes, *The Economic Consequences of the Peace*, p. 10.

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stayed home. Many tears have been shed over the sad plight of the European farmers who could not compete, but little Denmark, formerly a poverty-stricken grain producer, demonstrated that it was possible to shift to a cow-pig-chicken type of mixed farming, using cheap American grain as feed, and much to their profit. The common laborers of Western Europe were now eating better than they ever had in the history of the world in spite of a population explosion.

Nor were the Europeans and Americans the only ones that benefited: for instance, the British simply rolled out a railroad system across the Humid Pampa of the Argentine and took beef in return as payment. Heavy British foreign investment speeded economic development all over the world, including the United States. Although they sometimes lost money on these ventures, again including some they invested in the United States, part of them were profitable, too, which provided capital for a continuing cycle of economic development in the backward areas of the world. Little wonder that the optimists of that day foresaw a glorious future for the human family. Many Evangelical Christians in the late Victorian period were even certain that the Millennium, that blessed era when the Lord would reign in righteousness and we would "beat our swords into plowshares," was upon us. But it would be a mistake to assume that everyone was that pleased with the status quo back then; the dissenters were soon going to have their try at righting the wrongs of the world.

Socialism, Christian and Otherwise

As already mentioned, the obvious and simple system of natural liberty which Adam Smith[13] advocated in 1776, did not fully become a reality until the years immediately following the Repeal of the Corn Laws in 1846. It is most interesting to note that Marx's and Engels' *Communist Manifesto* was published in 1848, just as laissez faire came into its own. Of course, there had been plenty of anticapitalist dissent long before this. The new industrial age was hardly started in the latter part of the eighteenth century, the consequence of Arkwright's and Watt's inventions, before enraged hand spinners and weavers turned out en masse to destroy the hated contraptions which were putting them out of work. Since they were certain that there was already overproduction, these new devices could only lead to economic disaster (how they could believe

[13] Adam Smith, *Wealth of Nations* (Modern Library edition), p. 651.

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they had a surplus back then is almost incomprehensible, but then, fears are often irrational).

Of course, what saved the day for the textile industry was the willingness of the ladies, and the rest of us, to enlarge our wardrobes as cloth became more abundant and cheap. But that was the next chapter in the economic history of the West. Both workers and intellectuals hated the "dark Satanic mills" springing up in the new factory towns and this, along with industrial growing pains plus the Napoleonic Wars and postwar depression, gave dissenters plenty of ammunition for their war on laissez faire economics. The new crop of businessmen and industrialists had enough personal failings, made enough blunders and enemies, and in a number of ways alienated the general public sufficiently to give rise to a growing protest movement.

Although Marx was militantly atheistic and hence repelled many devout people, Christian socialism emerged as the ethical answer to the problem of human need: to them Christianity was the religion of which socialism was the practice. The social gospel movement emerged in the latter part of the last century and it is no secret that the Church has had a large leftist element ever since, often in high places. This is in no small part the failure of disillusioned men of good will to see that socialism would create, as the late Reinhold Niebuhr[14] finally realized, "pools of excessive power in the hands of those who manage both its economic and political processes" – if businessmen could not be trusted with power over their little segment of the national life, what about bureaucrats who have us all at their mercy?

We had to learn the hard way, too, that socialism is not efficient. Perhaps today, having lived with socialism and communism as well as capitalism these many years, we are now in a position to re-evaluate the whole question of ethics as it relates to business and government in a way that our fathers could not. One wonders if we had another crisis like the Crash of '29 and the Great Depression, would people still blame this on the failure of Free Enterprise, or realize that the welfare state might with some logic share part of the blame?

Caesar or God?

Our Puritan ancestors believed that they, like the early Israelites, were people of the Covenant: obey God and all would be well. The men of the Enlightenment, less devout, believed if we obeyed the

[14] Kenneth W. Ingwalson (ed.), *Your Church – Their Target*, p. 47.

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laws of "Nature and of Nature's God," we would have the best possible world men could arrange down here below. Most of our contemporaries believe that Adam Smith was an anarchist. Indeed, many people see no possible philosophical position between laissez faire anarchism and totalitarianism. It has not always been so. Our Founding Fathers believed in liberty under law – God's Law. It is true that men with tender consciences who took the Bible seriously have disagreed on the policies they extracted therefrom just as scientists have disagreed on their conclusions, using the experimental method. There are some across the ages who have argued that Peter's communal arrangements after Pentecost[15] set up socialism as the Christian standard, but there are others who feel that the experiment collapsed quite quickly just as the Pilgrim attempt at Plymouth did right after 1620. As evidence, St. Paul was engaged in gathering up relief funds for the Church at Jerusalem later which is a suspicious circumstance – we do not commonly raise money on the mission field to support the home church; also, Paul was eloquent in urging work and personal responsibility.

Whatever the confusion of the saints, religion has been a force against totalitarianism over the ages, and there is impressive evidence to support the contention (the familiar "Weber Thesis" with its "Protestant Ethic") that perhaps the "gospel" of hard work, personal responsibility, and stewardship of time and money may have had as much to do with the explosive progress of the West in the recent past as did laissez faire economics à la Adam Smith. Indeed, would political and economic freedom have been possible without the moral base? What is the Christian viewpoint in economics and government, by any fair standard of interpretation? With the heavy emphasis on humanitarian and ethical values by the Left in our time, these are important questions. We simply permitted ourselves to be outflanked by the enemy.

The defense of free enterprise has commonly been in pragmatic terms – profit and production but not principle. According to Ayn Rand,

> . . . capitalism's classical defenders and modern apologists . . . are responsible – by default – for capitalism's destruction. The default consisted of their inability or unwillingness to fight the battle where it had to be fought: on moral-philosophical grounds.[16]

[15] Acts 4: 34-37.

[16] Ayn Rand, *Capitalism: the Unknown Ideal*, p. vii.

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I would agree with her contention, though I am not a Randian myself. Since we have been so very busy trying to make a little money in spite of mounting taxes or fighting a rather ineffective rear guard action against socialism, we have not done our "home work" and have let the socialists get by with a lot of misrepresentations which have been exceedingly damaging to the market economy – we have mostly been content to brag about how many high-powered automobiles and color TV sets we can produce as compared with the rest of the world.

Capitalism Not Based on Greed

It is a common fallacy that capitalism was founded on greed. Max Weber[17] pointed out long years ago: "Unlimited greed for gain is not in the least identical with capitalism. . . ." Indeed, as he insisted, "absolute unscrupulousness in the pursuit of selfish interests" has been most dominant in the lands that are most backward, where capitalism has not yet developed as a system – and, one might add, perhaps cannot, due to the lack of a moral base. Anyone who has traveled in those countries knows how right Weber was.

A kindred delusion is that Big Government is for the little fellow, that but for the intervention of a benevolent state Big Business would gobble us up. Since most of us identify with the underdog and hate bullies, this is good political propaganda, but may be a long way from the truth. There is considerable evidence to support the contention of Walter Adams[18] of Michigan State University and others who have studied the problem that the government has done more to encourage industrial and commercial "elephantiasis" than to promote Small Business. This has been the history of the Farm Program, also, another scheme to rescue the "little fellow." What has resulted instead has been what Clarence Carson has called *The War on the Poor*, as he entitled a recent book.

If the welfare state's campaign for "social justice" has failed on the homefront, what about our attempts to save the starving millions overseas? Evidently our global give-away program has too often been a grab bag for crooked politicians or so I have been told when I traveled in the so-called "backward areas" of the world and by competent observers, both native and American. Further-

[17] Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, pp. 17 and 56-57.

[18] Walter Adams and Horace M. Gray, *Monopoly in America: The Government as Promoter.*

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more, foreign aid has fallen woefully short of world need, according to those sympathetic to the program, and the enthusiasm of the American taxpayer is diminishing. A few years ago Josué de Castro[19] complained that "foreign capital invested in the underdeveloped regions is less than $6 billion, whereas . . . a minimum of $15 billion would be required" each year to begin to meet the need.

Private Investment Abroad

But there has been a better way to do this, too. According to pre-President Richard M. Nixon,[20] writing more than a dozen years ago, the United States alone would have invested $30 billion abroad in 1958 instead of the trifling $4 billion we did loan that year, if we had been investing at the rate the British did in 1910. Think what this would have meant in the way of employment and economic development across the seas, if we had been so doing.

Unfortunately, there are almost no decent places to invest any more. Because of turbulent social conditions, political instability, and outright thievery on the part of governments which will nationalize your investments as soon as you get something profitable started, finding a place to invest is as difficult for the "haves" as finding investment capital is for the "have-nots." They ought to get together on this, and could, if they could learn to trust one another again – which brings us right back to the moral question once more. Unfortunately, this means that large areas of the world which are poor and backward, where people are hungry and desperate, must remain that way; they cannot hope to make progress until they straighten out their ethics and economics, for the right is also the expedient in the long run. A wee glimpse of the Victorian age with its free trade and free enterprise, its propriety and progress, its stability and certainty, is quite revealing, as the following quotation which appeared in 1882 in *The Spectator*, a "sedate, middle-of-the-road magazine," so eloquently tells us:

> Britain as a whole was never more tranquil and happy. No class is at war with society or the government; there is no disaffection anywhere, the Treasury is fairly full, the accumulations of capital are vast.[21]

Just as a fascinating experiment, substitute today and the U.S.A.

[19] Josué de Castro, *The Black Book of Hunger*, p. 49.

[20] Richard M. Nixon, *The Challenges We Face*, p. 73.

[21] Albert H. Hobbs, "Welfarism and Orwell's Reversal," *Intercollegiate Review* (Spring, 1970), p. 107.

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for 1882 and Britain in the above quotation. Perhaps the "Faith of Our Fathers" was not so misplaced after all.

Rebuilding the Foundations

It would be a pity to end on such a note of despair. Actually, I am not that discouraged: the very bankruptcy of modern man's utopian schemes has left a vacuum which someone will try to fill. What better time to urge a return to ethical standards, freedom under law, personal responsibility and the values which made Western civilization great? We launch space ships according to God's Law; then why not consult Him about reordering this chaotic world down here below? As Benjamin M. Anderson wrote shortly after the second World War, commenting on Germany's violation of her treaty guaranteeing the neutrality of Belgium in 1914, that famous "scrap of paper" which has been the model of most recent treaties:

> The greatest and most important task of the next few decades must be to rebuild the shattered fabric of national and international good faith. Men and nations must learn to trust one another again. Political good faith must be restored. Treaties must become sacred again.
>
> A world in which all men are upright and in which all nations are voluntarily decent in their international relations is, of course, too much to expect, but a world in which the ill-intentioned fear the condemnation of the well-intentioned we can rebuild. The same basic human nature which created the fabric of national and international good faith on which we relied in the century preceding 1914 exists today — just as we have discovered that the same human nature which animated the Assyrian conquerors and the hordes of Genghis Khan exists today. The raw stuff of human nature is immensely plastic. . . . There is no certainty that we can recreate the fabric of good faith which we have destroyed, but there is no higher duty than to make the effort.[22]

[22] Benjamin M. Anderson, *Economics and the Public Welfare*, pp. 4-5.

What Is a "Less-Developed" Country?

IDEAS ON LIBERTY

AMONG the "less-developed" countries, *as the term is most often used*, almost all have at least one thing in common. They are countries that desire capital but have not yet put into practice the methods of capitalism.

HAROLD FLEMING, *States, Contracts and Progress*

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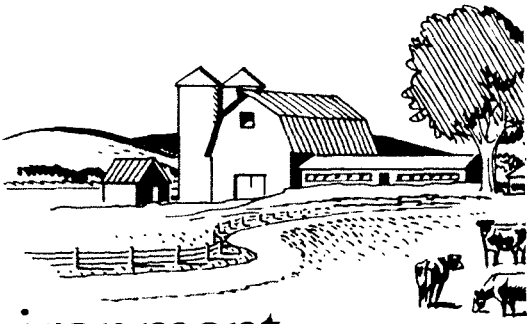
SAMUEL R. ALDRICH



MAN and his Environment

AGRICULTURE has a tremendous impact on the environment. The farmer's goal, in fact, is to manage the environment for the long-term benefit of mankind. This he has done with eminent success.

Decisions about farming to this point in time have been based mainly upon economic considerations. To put it bluntly, if it paid, we did it (with minor restrictions for known hazards). Recently a new dimension has been added. Society is insisting that long-term effects on all aspects of the environment be considered in deciding practices to be followed.

The image of agriculture is poor in the minds of environmentalists. Ecologists generally view farmers, agribusiness, and agricultural scientists as interested only in making a profit and as having little knowledge of or concern for effects on the environment and even human health. Ecologists and social scientists feel that they must, therefore, assume responsibility for saving the environment.

In contrast, persons in agriculture perceive themselves as being responsible for producing high quality food at a reasonable price and thus contributing to the welfare of mankind. They view ecologists as idealists without practical knowledge of agriculture, hence capable neither of suggesting acceptable changes nor of foreseeing the disastrous effects of some simple solutions they suggest.

During the past few years when the attitudes of society were being

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formulated, ecologists and many social scientists were effectively using the news media to mold public opinion. Meanwhile, we in agriculture were mainly going about the business of efficient production. Consequently, there is both lack of information and much misinformation about the effects of agriculture.

Every school child has heard about the pervasive effects of DDT and the claim that nitrogen and phosphorus from fertilizers are destroying streams and lakes. Most everyone has heard of the "concentration of DDT in the food chain." I submit that there is a corollary: "The concentration of unsubstantiated opinions in the information chain."

We should not blame environmentalists and the media entirely for this state of affairs. We simply have been remiss in analyzing the over-all, long-term effects of practices and making them known to scientists in other disciplines and to the public through the news media.

Many persons have been led to believe that science and technology have caused the problems and therefore must be restricted in a wholesale manner. The fact is that, though science and technology in agriculture and elsewhere have created certain environmental problems (along with tremendous benefits), only more science and technology correctly applied can solve the problems!

More Effective Communication

We are experiencing an unusual phenomenon. A substantial number of people, especially young people, believe that we are on the verge of catastrophe unless we *immediately* stop many forms of pollution including the use of fertilizers and pesticides. Since a lot of people hold that view, it should not surprise us that some drastic measures to curb pollution are being suggested. Desperate persons are susceptible to radical ideas.

Those engaged in agriculture and members of society in general would benefit from a thorough understanding of the effects, both favorable and unfavorable, of modern agriculture on the environment. But there is a barrier to effective communication. How do you reach persons whose views are already firmly set and who therefore interpret your sincere attempts at objective presentations as merely defending continued use of fertilizers, pesticides, and so on, for personal gain?

There are two ways to react to environmentalists whom you believe to be wrong:

a. Watch for their mistakes and then "slap them down." The trouble with that course

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is that charges make the front page headlines whereas rebuttals are put on the back pages near the want ads.

b. Assume they are sincere and try to work with them *before* they have interpreted their data, made up their minds, and published their mistakes. This is a more mature and effective course of action.

The Facts About Nitrates

There are three false impressions about nitrogen that are generally held by environmentalists and widely accepted by the public:

1. That nitrate in water is increasing at an alarming rate.
2. That commercial fertilizer is the cause.
3. That returning to legumes, animal manure, and soil humus for nitrogen would correct the supposed situation.

The nitrate content of the Mississippi River at Chester, Illinois, has not increased over the past ten years. Nitrate in the Illinois and Wabash Rivers appears to have increased slightly since 1956. The Kaskaskia near its confluence with the Mississippi has not increased in nitrate concentration since 1946. This river, through an unfortunate error in data summary, is the basis for the widely disseminated idea that nitrates tripled between 1946 and 1966. Specific cases of high nitrates and rapid increases in small rivers and streams can be found, and undoubtedly nitrogen fertilizer is a contributing cause. There are also instances of decreases in nitrates. We should continue to be concerned about nitrates and to increase surveillance of streams but not assume that nitrates have generally reached alarming levels.

Impressions 2 and 3 are predicated on the belief that nitrogen from commercial fertilizer behaves differently than nitrogen from animal manure, legumes, or soil humus. Regardless of source, nearly all of the nitrogen used by crops is in the ammonium (NH_4^+) form prior to conversion by nitrifying soil organisms to nitrate (NO_3^-). Nitrate derived from fertilizer is neither more nor less leachable than nitrate from manure, legumes, or soil humus; and regardless of source, a definite amount of nitrate nitrogen is required to produce 100 bushels of corn. The potential for excessive nitrates in the environment is determined by the crop yield goal.

The undesirable effects of agricultural technology have been extensively analyzed, though not always accurately or in proper perspective, in both popular and scientific literature and through the news media.

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Technology Works Both Ways

The beneficial effects of technology on the environment have not received the attention they deserve! The usual approach in supporting continued use of fertilizers, pesticides, and antibiotics is quite logically that they are essential for the production of adequate amounts of high quality food at a reasonable price. But I feel that technology properly used is justified because of its positive effects on the environment.

Data from the Morrow Plots on the campus of the University of Illinois illustrate the effect of different levels of fertility. The plots have been under cultivation and study for nearly a century; hence they are a valid index of long-term effects.

Illinois grows about 10 million acres of corn with intensive use of modern technology. The Morrow Plots data indicate that if only manure, lime, and phosphorus were applied in a continuous corn system, 14 million acres would be required. If no fertility treatments were applied, the need would increase to 27 million acres.

An alternative cropping system of corn-oats-legume hay with manure, lime, and phosphorus would require 14 million acres to produce usable therms of energy equal to 10 million acres of corn with full treatment (nitrogen, phosphorus, potassium, limestone) and 30 million if no fertility treatments were applied.

These are, of course, extreme and unrealistic alternatives but they illustrate the point that fertility treatments minimize the cropland acres needed for food production. What, then, would be the effect on the environment of greatly reducing or giving up fertilizers?

It would be a disaster.

Without nitrogen, phosphorus, potassium, and limestone applications our soil resource could not be preserved and future generations would reap a tragic harvest of famine. Nitrogen is the key to maintaining soil organic matter in intensive cropping systems. Soil organic matter is a key to maintaining surface structure and water infiltration capacity.

The increased acres needed for food production as a result of lower acre yields would increase water runoff, floods, and erosion, thus accelerating pollution due to sediment, phosphorus, pesticides, and organic matter. Two contributing causes would be: a) increased acres of cropland, and b) more cropland on sloping fields.

Increasing the acres of cropland would further reduce the small areas of woodland, wildlife habitat, and recreational land in much of the Midwest.

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I have used fertilizers to show that technology has a positive effect because it minimizes the acres required for food production. The principle applies to all of agriculture. The facts that one modern dairy cow replaces two of a few generations ago or that a broiler now can be grown on little more than one-half as much feed as before reduce the undesirable impact of man's demands upon the environment.

No Simple Solutions; Intertwining Practices

There are few if any simple solutions to the control of pollution. In agriculture, as in the ecosystem as a whole or among the facets of a free enterprise economic system, practices are intricately intertwined. Restrictions on the use of science and technology in agriculture must be approached with caution and with broad understanding of the side effects lest the cure be worse than the disease.

Henry Hazlitt in his epilogue to *The Art of Thinking* (Nash Publishing Corp., 1969) makes some comments that I feel could well guide anyone who wants to contribute to environmental improvement.

". . . no man can hope to do original work or even profitable thinking in any science or branch of knowledge until he has gone to the trouble to learn *what has already been discovered* in that branch of knowledge. He must know *the previous state of the question.* Then he will see whether he can make any contribution of his own.

"When the great Isaac Newton was asked how he had been able to make such tremendous contributions to human knowledge and thought, and to see so much farther than other men, he answered modestly: 'I stood on the shoulders of giants.' In other words, he was able to build on what his predecessors had discovered.

"We who live today are in one respect in a more enviable position than any other generation in history. We stand on the shoulders of giants. . . . So an intelligent college student today is in a position to learn more about calculus than Newton, more about economics than Adam Smith, more about evolution than Darwin," and, may I add, more about the environment than any scientist to this point in time.

I am convinced that concern for the environment will continue to grow but will likely receive less attention from the news media and politicians. Though agriculture is presently a target for criticism, I believe that by choosing the right strategy the interest

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that has been generated in agricultural practices can be used for the betterment of agriculture and society as a whole.

I have a positive, constructive attitude toward our economic system. It has produced miracles within a framework of limited objectives. I feel that it is unfair and serves no purpose to blame previous generations for blindness, ruthlessness, or sheer greed in their use of the environment. They had as many thoughtful, sensitive citizens as we have. But we have the advantage of observing the cumulative effects of our activities over a longer period of time. Consequently, we evaluate some practices differently now than then, and should act accordingly.

IDEAS ON LIBERTY

"Every Man a King"

LIBERTY, or the right to act as one wills according to his wisdom and conscience, is sometimes charged with being "license" and totally irresponsible conduct. But, on the contrary, responsibility of the highest order is required in a liberal society. What social design could be more challenging, in terms of responsibility, self-discipline, and self-control, than that of liberalism in its requirements of self-restraint; in avoiding trespass on the rights and the property of others; in its respect for the rights of others to disagree without precipitating conflict? Liberty requires the highest order of conduct in its practice.

The disciplines of liberty, however, have their rewards. "Every man a king" has had great appeal as a political slogan. The nearest possible approach to it is to be found in a liberal society, in which everyone is king over his own affairs to the greatest possible extent. At the other extreme, one man is king over all men instead of every man being king to a degree.

F. A. HARPER, *Liberty: A Path to Its Recovery*

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CLARENCE B. CARSON

THE FOUNDING OF THE AMERICAN REPUBLIC

4

The Colonial Political Experience

I HAVE OFTEN asked a class at the beginning of a course in history if they have heard the saying, "Experience is the best teacher." Usually, all or most of them indicate that they have. To confound them, I tell them that what they have heard is most likely a debasement of an older and possibly much wiser epigram. Benjamin Franklin gave this formulation to it: "Experience keeps a dear school; the fool will learn in no other." This is a prelude to making a case for the study of history to my classes. The point is that it is quite costly to learn by personal experience, while it is much less expensive to learn from the experience of others.

Actually, however, the case for vicarious historical versus personal experience is not as conclusive as I tend to make it. Personal experience usually makes a much stronger and lasting impression than do accounts of the experience of others. Any retelling of an experience is to a large extent an abstraction which leaves out the warp and woof of life. The difference between vicarious and personal experience is quite often like the difference between travel folders of an area and the actual

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vacation experience – a chasm of considerable dimensions. Still, there is much that has to be learned, if it is to be learned at all, from the experiences of others because of the limited career of an individual and because some things – e. g., drowning -- are likely to be experienced only once, and all experience ceases.

Political experience – both vicarious and personal – is of particular urgency for those who would erect governments and govern. This is so because government is both essential and potentially man's most dangerous instrument, most dangerous because it can muster all other instruments and bring them to bear in the pursuit of whatever end those who govern may have. Government is that body charged with the monopoly of the use of force in a given jurisdiction. Politics is the arena of contest over who shall employ the force for what ends. Each of us is prey to the notion that if we had power we would exercise it only for the good of those who fell within our jurisdiction. Without experience, we can easily concoct plans whose fulfillment we would achieve if we could get the reins of power. The plans may have all the beauty of any abstraction, but they usually ignore the reality of the contest of wills by which power is actually gained and exercised, contests in which the man with a vision imputes evil to those of a different view, seeks power at first for the good he would do, then seeks power because he thinks he is good, and eventually seeks power for itself alone. There is a human tendency for anyone in power to concentrate it in his hands and absolutize it.

Constraints Upon Power

There is, however, a counter tendency at work in most governments at most times. It arises, in the first place, out of the difficulty which any ruler experiences of putting into effect personally his edicts. Authority must be parceled out. Those who exercise it incline to arrogate to themselves that particular authority. Moreover, it is easier to do anything if it is made into a routine. Routines become customs, and customs assume the character of law in the course of time. Hence, power is balanced and constrained to some extent and as a rule at most times and in most places. This can be prevented from happening only by relentless terror, a terror of a kind which is unusual.

Political experience is experience of the contest of many wills, of routine and custom become law, of devices by which power is constrained, of compromise, of the

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gap between conception and execution because both those who rule and those who are ruled have wills. A deep reading of history may acquaint one with these processes and actualities; personal experience will be even more likely to do so.

Americans in the colonies had a goodly amount of political experience before they broke from England, experience with the uses and abuses of power. They had it in what is probably the best way to gain experience with the use of power; the power at their disposal was limited and constrained. The colonists gained experience within the confines of the English constitution, in the first place. Their laws were supposed to conform to those of England. To make sure that they did, the system provided that court cases could be appealed to the Privy Council in England.

Restrictive Charters

The colonists were restricted in what they could do also by their charters. Most of the colonies had originally been founded as commercial ventures, though a few were founded as proprietaries which harked back to the feudal system for models, and one—Georgia—was a trust. In any case, they were founded on the basis of charters. These spelled out the territory to be occupied, the financial arrangements, and the rights and privileges of the settlers. Ordinarily, the settlers were permitted to participate in the making of laws, and such laws as were passed had to be in keeping with and not contrary to English law. It would be correct to say that the colonists were both restrained and enfranchised by their charters.

The colonies were restricted also in that they were a part of the British Empire. In that capacity, they fell under the authority of the government of England (after 1707, the United Kingdom) and were subject to certain of the acts of the Crown-in-Parliament.

Before discussing this relationship, however, it will be useful to note some major changes that had occurred in the English government in the last years of the seventeenth century, the changes associated with the Glorious Revolution. These changes raised questions about the extent of parliamentary authority over the colonies under the constitution as it had developed, questions that were not finally pushed to the point of irreconcilable contradiction until the 1770's.

At the time when most of the colonies were chartered and founded, England was more or less of an absolute monarchy. Parliament was, for the Tudors and the

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early Stuarts, an auxiliary to them in the exercise of their power. In theory, and usually in practice, Parliament was that body which enabled the monarch to make alterations from time to time in the contract with his subjects whom he ruled by Divine right. Ordinarily, he could and did rule without consultations with Parliament. If some change were wanted by the monarch – e. g., a new tax measure – then he might call a session in order to get the needed legislation. If he could get by on established revenues and laws, he had usually foregone the nuisance of having Parliament meet.

The Stuart Kings and Parliament were at odds for most of the seventeenth century over their respective powers. The issues were resolved by the Glorious Revolution and its aftermath, resolved in favor of Parliament. As one historian summarizes the consequences of this Revolution, it "demolished the doctrine of the divine right of kings. . . . After that momentous victory Parliament slowly and gradually, yet remorselessly and irresistibly, extended its power in all directions."[1] Another sums up the changes this way:

William III began his reign with a clear recognition on his part that the royal office had been shorn of extensive powers. As it has been expressed by a distinguished historian of the constitution: "The king was distinctly below statute; he was to have no power to suspend statutes or to dispense with statutes; he could not by his proclamations create any new offence; he could not keep a standing army in the realm in time of peace without the consent of parliament; parliament had begun to appropriate supplies; the military tenures were gone; he had no powers of purveyance and preemption; he could not try men by martial law; the judges were no longer to hold office during his good pleasure. . . ." We may add: he could make no laws without the consent of the nation's representatives; he could lay no taxes; he could claim no kingship by divine right....[2]

In short, Parliament had come to occupy much of the ground formerly held by the monarch and would in the course of the eighteenth century gain much more control over affairs. England had a constitutional monarchy.

Parliamentary Powers

These changes affected Americans in two most important ways. One of them is that Parliament's powers were neither clearly de-

[1] Curtis P. Nettels, *The Roots of American Civilization* (New York: Appleton-Century-Crofts, 1963, 2nd ed.), p. 543.

[2] George B. Adams, *Constitutional History of England*, Rev. by Robert L. Schuyler (New York: Holt, Rinehart and Winston, 1962), p. 366.

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lineated nor restricted. The British had spent much energy over the centuries in limiting the king. This was now as well accomplished as it might be without making him impotent. In doing so, however, a new power had been loosed – Parliament. It is true that the House of Commons is restrained by having its members stand for election. This was so, however, only for England and then the United Kingdom.

The other import of this for Americans was related, for it had to do with what the power of Parliament over colonials would be. The colonists had no representatives in the House of Commons, nor were there any American bishops or nobles sitting in the House of Lords. Moreover, nothing comparable to the Glorious Revolution occurred in the colonies. Parliament proceeded to pass acts affecting the colonies, though there was now doubtful constitutional warrant for such measures. For a long time the issue was not pushed with vigor by either side; it lay dormant ready to spring to life when differences between the colonists and the mother country rose to the point where constitutional questions would come into focus.

One reason that the issue did not come to the fore was that Parliament exercised restraint in legislating for the colonies until the 1760's. Parliamentary acts known as statutes of the realm usually applied only to England, Wales, and to Scotland after 1707. "Inasmuch as both Parliament and the colonial assemblies exercised the lawmaking power, a rather indefinite distinction between internal and external legislation was allowed to develop. Parliament generally confined itself to the regulation of the external affairs of the colonies (trade, currency, etc.) and permitted the colonial assemblies to legislate for domestic concerns."[3] This policy is sometimes referred to as one of "salutary neglect." Why it should be so called except by a partisan of British rule and Parliament is not clear; it suggests that the colonies were neglected and that Parliament had the authority to impose its will over the colonies – both doubtful propositions.

If there was "neglect," it was in the neglectful manner of the founding of the colonies, not so much in their later governance. The Stuart kings probably had two prime motives in authorizing plantations. One was to benefit England commercially; the other was to be rid of troublesome, undesirable, or, in the case of Roman Catholics to whom they were sympathetic, persecuted elements. The

[3] Nettels, *op. cit.*, p. 546.

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latitude that many of them were given in matters of religion suggests that the monarchs did not expect the growth of large, peaceful societies under their dominion. At any rate, a strong case can be made that over the years the British government was less and less "neglectful" and more and more concerned to tie the colonies close to England and make them conform to the British pattern. It is certain that over the years more and more laws were passed, and more and more attention was given to imposing the British will over the colonies.

Trend Toward Royal Control

One way to see the trend toward greater British control is to look at the types of colonial governments and changes in them. There were three types of governments in the colonies: royal or crown, proprietary, and charter. A royal colony was one in which the colony fell directly under the king: the governor was appointed by the monarch; he was an agent of the king, in effect, acted in the place of the king, and he, in turn, appointed lesser officers. A proprietary colony was one in which the proprietor appointed the governor and otherwise had authority reminiscent of a feudal lord. He, in turn, was a kind of vassal of the king. A charter colony was one operating on the basis of a charter; in effect, the members of the colony were members of a corporation, and the electors among them controlled the government on the basis of the charter.

The trend over the years was for England to extinguish the charters and proprietorships, which the original colonies had been, and to make of them royal colonies. By the middle of the eighteenth century, there were only three proprietary colonies and two charter colonies. The meaning of this is made clearer by this contemporary comment on the power of the people in the charter colonies: "The people in these Colonies chuse their Governors, Judges, Assemblymen, Counsellors, and all the rest of their Officers; and the King and Parliament have as much influence there as in the wilds of Tartary."[4] This is an exaggeration, but it does indicate that the trend toward royal colonies was a trend toward greater British control.

Despite the fact that the colonies had grown up to considerable degree separate from one another, they had a similar form of government to one another and to that of England. Each of them had a governor, whose powers

[4] Quoted in Clinton Rossiter, *The First American Revolution* (New York: Harcourt, Brace and World, 1956), p. 103.

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were modeled on those of the English monarch. The extent to which the English attempted to gain or maintain control of colonial development is indicated both by the fact that most colonies were made royal colonies and by the extensive powers of the governor. He "was the personal representative of the king and the symbol of the empire in the colony, 'endowed with vice-regal powers, analogous though inferior in degree to those of the monarch.' As such he was the commander-in-chief of the military forces in the colony and the chief among the agents of the crown. He had the power to appoint judges in the vice-admiralty court, where there was such a court in his colony, and judges, justices of the peace, and sheriffs in the administration of civil justice. He also had the power to nominate members of the executive council . . . , and the power to veto acts passed by the legislature. . . ."[5] He could summon, adjourn, and dissolve the legislature, and he could pardon those who had been convicted of offenses. "The governor's powers were thus fourfold, for he was at once a Crown agent and the effective head of the executive, the legislative, and the judicial arms of government."[6]

A colony ordinarily had one or more councils, but usually there was a single council which served in several capacities. These were men chosen from among natives who were usually men of wealth and position in their communities. In one of their capacities, they were a sort of governor's cabinet, assisting him in governing by advice and in other ways. In another capacity, they might serve as a court of appeals. And, they were the nearest thing to an upper house of the legislature that the colonies had. In this capacity, they were analogous to the House of Lords. Many colonials got experience in governing by serving on councils.

However, most of the colonial political experience was gained by serving in the legislative assembly. This body was known by different names from colony to colony – i. e., House of Delegates, General Court, House of Burgesses, and so forth – but each of the colonies had one. It was the fount of popular government in the colonies, the only body at the level of colony that was chosen by the freeholders. In theory, it was subordinate to the governor in royal and proprietary colonies, awaiting on his call, subject to his dis-

[5] Max Savelle, *A History of Colonial America*, Rev. by Robert Middlekauf (New York: Holt, Rinehart and Winston, 1964), p. 402.

[6] *Ibid.*

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missal, even subject to being dissolved in favor of the election of a new one, and its acts subject to his absolute veto. It could almost be said that it existed at the pleasure of the governor.

Colonies Develop Self-Government in Subtle Ways

Theory is often one thing, however, practice another, and this was certainly so for the colonial assemblies. In their service in assemblies colonials learned the subtleties by which power is counterbalanced and the maneuvers by which power can be gained. The way they worked, in general, is described by one scholar in this passage:

> One is impressed with the rather prosaic manner in which the lower houses went about the task of extending their authority, with the infrequency of dramatic conflict. They gained much of their power in the course of routine business, quietly and simply extending and consolidating their authority by passing laws and establishing practices, the implications of which escaped both colonial executive and imperial authorities and were not always fully recognized even by the lower houses themselves. In this way they gradually extended their financial authority to include the powers to audit accounts of all public officers, to share in disbursing public funds, and eventually even to appoint officials concerned in collecting and handling revenues.[7]

Some of the devices by which they gained power are interesting and were quite valuable experience for colonists. One position from which they gained leverage over governors was that the salary of most of the governors was paid by their respective colonies. This meant that the legislature had to appropriate it. If they would only appropriate it on an annual basis, the governor would find it expedient to call the legislature into session each year. If they made the appropriation of his salary the last item of business before they were ready to adjourn, he could be, and was, effectively stripped of his powers to prorogue the assembly. "Not content with reducing the governors' legislative power, the assemblies . . . used their control over the purse to usurp many executive functions, insisting that certain conditions be met before appropriation bills were sanctioned. Thus the assemblies extended their sway over financial matters by stating in detail how money was to be spent, by appointing provincial treasurers . . . , by naming collectors of

[7] Jack P. Greene, "The Role of the Lower Houses of Assembly in Eighteenth-Century Politics," *Essays in American Colonial History*, Paul Goodman, ed. (New York: Holt, Rinehart and Winston, 1967), pp. 431-32.

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the revenues . . . , and by setting up committees to supervise the spending of money appropriated."[8]

Colonists got political experience at two other levels than that of colony. One level that did not involve many people directly but was nonetheless important was as agent for a colony to the government in England. An agent was sent from most colonies toward the end of the colonial period to England to explain to various governing bodies the situation in the particular colony, the attitudes of the inhabitants, and the effects laws and other English actions might have. Sometimes both a governor and a legislature would send such an agent. He would have no official standing in England, but he would be valued for his service both by the mother countries and the colonies and would gain much valuable experience. Benjamin Franklin undoubtedly got the most experience as agent, for he represented several colonies at one time; through this experience, he was prepared for the yeoman work he would later perform as diplomat for the United States.

The other level was local governments. Of their importance, Clinton Rossiter says: "In general, the central governments of the colonies exercised even less control over local institutions than did the mother country over the colonies."[9] That is, they managed most governmental affairs locally by institutions that were in keeping with the locale. In New England, town government was the most important level, and the town meeting the device by which the electorate directed affairs. In other parts of the country, county and parish government handled most local affairs. These were the features of local governments Rossiter thought particularly worthy of note: "the broader suffrage for local than for colony-wide elections; the multiplicity of unpaid offices and duties, a system under which a much larger percentage of citizens performed some sort of public duty than is the case today. . . ." In short, a large number of colonists had political experience while they were under nominal British control.

The British government did not neglect the colonists in the last hundred years or so of the colonial period. They set over most of them an arrangement that should, in theory, have brought them under the will of those who governed in England. There were governors with comprehensive appointive powers, numerous agents of a variety of boards and committees were sent to America, and Ameri-

[8] Nettels, *op. cit.*, p. 563.

[9] Rossiter, *op. cit.*, p. 119.

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cans were in some ways more clearly under the dominion of the king than were the inhabitants of the United Kingdom. Short of taking from the Americans their institutions of government, it is not clear how they could have been prevented from developing as they did.

Evolving Institutions

Nonetheless, the American colonies did evolve away from the British pattern, even as, to a lesser extent, the government in the homeland was evolving away from its older pattern. Americans today do not feel great unfamiliarity with colonial institutions and practices as they had developed by 1765. They would, however, if they understood them, find most of the institutions that were originally transplanted unfamiliar and foreign. Many of these institutions were medieval in character when they had been set up. For example, a town was a corporation with definite bounds, with privileges for its inhabitants, with powers to exclude others from them, with monopolistic powers, with an exclusive and delimited character. This had so far broken down by the end of the colonial period that men could generally come and go, move in or out, and go about their business without much onerous restriction.

In a similar and related manner, there was an attempt to maintain class arrangements and prescriptions in America. In the middle of the seventeenth century, the General Court of Massachusetts forbade the wearing of certain clothing to the lower orders. Yet, such efforts were of little avail, and long before the end of the colonial period it was commonly observed that respect for and distinctions among classes were disappearing.

When confronted with the Puritan demands for the abolition of episcopacy, James I declared, "No bishop, no king." His prophecy proved correct for America. Though there were several colonies in which the Anglican Church was established, there was never a bishop in America. The Bishop of London was appointed over the American colonies, and he was represented from time to time in particular colonies by a commissary, a man appointed to perform some of the overseeing functions of the bishop. But there was no clerical hierarchy that amounted to anything in America. Hence, even in Anglican colonies, the control of church affairs tended to slip out of the hands of the clergy and into that of the vestry. Of course, in several of the colonies, the prevailing denominations neither had any hierarchy nor approved of it as an

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institution. The religious supports for rule by an hierarchical order were missing.

In the same manner, there was never any titled nobility in the colonies to speak of. There is a saying that "Dukes don't migrate," and it is substantially true. For decades on end most Americans never saw a titled noble, and if they did, he was most likely a royal governor. No native Americans were ever raised to such rank, to my knowledge, nor is it likely that they aspired to it. Americans who acquired extensive possessions aspired to the life of a country gentleman, so far as we can tell, and would have been aliens in their own country had they been titled.

The effect of this is that Americans turned away from the old sources of authority and political power even more than did their counterparts in England. Authority, for them, did not extend from the top downward; it derived from the place they were accorded by their peers. Americans looked up to men who had acquired possessions by their own efforts or that of their immediate forebears and, among these, to those who showed ability at managing their affairs. Birth counted for little; achievement counted most.

Probably, Americans had more extensive experience in governing in legislatures, in towns, in counties, and as councilors than did any people anywhere in the world at that time. True, it was limited experience. They had little experience as chief executives or in foreign affairs, and they operated within the limitations of the British constitution and the empire. Even so, they were probably better prepared for popular government than anyone else, unless it was the English people themselves.

It is possible, however, to overrate experience. There are experienced thieves and murderers. There are experienced demagogues, and there are politicians with a vast amount of experience at gaining more and more power by plundering the populace. Experience can be useful in attaining any end, but it does not discriminate among ends. That is determined by what a people, or some portion of them, value. And values are a resultant of ideas held and cherished. It was not enough for Americans that their experience had turned them away from monarchy, from hierarchies, and from authoritarian government. If their experience was to stand them in good stead, they must be drawn to something constructive to take the place of these things. Americans were, and developments in ideas prepared the way for this shift.

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BAD MONEY drives out GOODS

PAUL L. POIROT

WHY GRESHAM omitted the "s" when he drafted his famous law is not clear. What is painfully clear to U. S. citizens caught in the wage-price freeze of 1971, however, is that Gresham's Law remains in force: bad money drives good money into hiding. People will hang onto their good money and meet their financial obligations with bad money so long as the government declares the bad money to be legal tender. What makes money "good" is its redeemability or its purchasing power in terms of goods and services; sellers are happy to receive it in exchange for their wares. So, what the bad money really drives away from the market are the suppliers of goods, the savers and investors of the capital that accounts for employment opportunities. These people will hoard their current holdings or else take them to some other market where a better money can be had in exchange.

The President's problem, or rather, the problem of the people of the United States, is that bad paper money has flooded the country. The Federal government is printing this money to pay its obligations. Another name for the process is *inflation*: monetization of the Federal deficit.

Now, when people recognize that dollars are rapidly depreciating, their first response is to get rid of their bad money just as fast as they can, spending it for almost anything in the way of tangible goods or services. Of course, they still try to find bargains; and it may happen that foreign suppliers afford the best bargains. Why would that be the case? Why, because in a somewhat strange and roundabout way foreign suppliers had, up to the time of the freeze, been able to claim payment for their wares in "good" money rather than bad. In effect, they were buying gold from the United States at the price set in 1934 – $35 an ounce. Because that

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bargain was available to them in the U.S., they were most willing and anxious to exchange cars and steel and textiles and all sorts of goods and services at prices American customers recognized as bargains.

Because the American people responded as they did to protect themselves against inflation, the Federal government was obliged either to outlaw such response or else stop its deficit spending and expansion of the money supply. Quite contrary to most of the publicity, the wage-price freeze of August 15, 1971, announced the intention of the Federal government to persist in its policy of inflation – not stop it, but step it up; reduce some taxes, cut down the supplies of foreign goods, and make it illegal for an American citizen to offer more bad money for any product than he had paid for a similar item before the freeze. Certainly, there could be no reason for such measures if the government meant to stop printing bad money and balance the Federal budget.

The mislabeled "balance of payments" problem, implying that foreigners aren't paying us what our exports are worth, is simply the strictly domestic problem of an unbalanced Federal budget – deficits printed out as money. It's hardly the sin of foreign governments if they show greater fiscal responsibility than does our own; that sin is ours, for urging or allowing our government to spend more than it collects from us in taxes. Unless other national governments sin in sympathy and unbalance their budgets to match our reckless rate of inflation, we can't long maintain the fiction that our paper money is as good as theirs. They may continue to sell us their goods at our inflated prices but will not be so anxious to buy our goods at our inflated prices; they'd much prefer gold, if they could get it, at $35 an ounce; hence, a so-called "balance of payments" problem, all of our own making.

If the Federal government were seriously determined to stop inflation – that is, balance its budget – then it would have to seek politically possible ways to shut off the spending. The process is simple enough to describe: identify which subsidies or spending programs are least attractive to U.S. voters and repeal them in that order. Whether that would be the War in Vietnam, the exploration of outerspace, foreign aid, farm supports, environmental improvement, unemployment compensation, urban renewal, medicare, compulsory unionism, or any of hundreds of other uneconomic and unprincipled governmental ventures is strictly

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a political decision. But one thing is certain, there is no way to maintain U. S. credit in the world market without curbing domestic inflation, and the only way to do that is to whittle off some of the Federal boondoggles. If politicians in power believe in voluntary controls, let them voluntarily curb their spending. They then should find neither reason nor excuse to control ours.

The Frozen Laborer

Government control of prices and wages, as distinguished from market determination in open competition, boils down in reality to control of people.[1] Peaceful persons are compelled by the government to use their lives and their property for purposes or in ways other than they might have chosen.

The most common justification given for wage and price control is inflation; people are said to be investing or spending their lives and property recklessly, causing prices to rise. But the fact is that inflation is simply another form of people control — a process by which government takes scarce and valuable resources from private owners in exchange for irredeemable promises to pay. Inflation is effective as a form of people control so long as, and to the extent that, people believe the government will redeem its promises in whole or in part; they accept and hold money today in faith that it may later purchase at least as much as now, and possibly more. The people are controlled through their blind faith, their property taken without their knowledge.

Once the people open their eyes to the nature and effect of inflation, lose faith in the government's promise to pay, then government must resort to sterner measures such as a price and wage freeze if it expects to control the people, take their property without their consent. The government, no doubt, will continue to print and spend money for its purposes, while denying individuals the right to spend their money for their own purposes. In other words, governmental control of prices and wages reduces the owner's bundle of rights concerning the use and disposition of private property; that is a long step back toward feudalism.[2]

Private property exists in many shapes and sizes, but one of the most neglected and perhaps most important forms pertains to the right of the individual to direct

[1] See "Government should control prices but not people," by Dean Russell, *Clichés of Socialism* (Irvington, N. Y.: Foundation for Economic Education, 1970), p. 222.

[2] See "Changing Concepts of Private Property," by Bertel M. Sparks, THE FREEMAN, October, 1971, p. 583.

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and control his own efforts, to sell his services for the most attractive bid in the market as distinguished from involuntary servitude.

The so-called Industrial Revolution, involving specialization, trade, saving, investment, and numerous job opportunities in various industries, did much to free the laborer from the lowly status of serfdom – a steadily strengthened and expanded bundle of rights to his own efforts. Then, government was asked, or volunteered, to intervene on the laborer's behalf – and, in the process, damage was done to his rights. The labor union that was empowered to help him bargain exercised that political power to bargain for him without his express consent. The power of the union to arbitrarily exclude any laborer from bargaining for a given job opportunity diminishes that laborer's property and his right to his own efforts. One laborer's political power to strike or picket a given job opportunity jeopardizes every laborer's right of access to the job opportunity of his own choice.

Laws such as the Wagner and Taft-Hartley Acts in the United States extend political privilege to union bosses and the favored few, but at the expense of the property rights of laborers in general. Various State and Federal minimum wage laws exclude from the market those least skilled laborers unable or unwilling to earn the minimum wage, thereby diminishing rather than enhancing their bundle of rights. The regressive social security tax discriminates against laborers in the lower wage brackets. And what some refer to as "the Welfare State against the Negro" really concerns the modern infringement of government regulation and control upon the property rights of the least skilled and lowest paid laborers.

The government attempts too much in its various welfare measures, spending more, much more, than it dare try to collect through direct taxation of the supposed beneficiaries. Such deficit spending, Federal borrowing from its captive banking system, is the process of inflation which in due course manifests itself in what is called wage control and what is in reality the regulation and control of the laborer – much as in the days of feudalism.

Laborers and others who would defend their lives and property against inflation and controls and confiscation must first insist that government mind none but its own business: policing the market to keep it open.

And in any event, Gresham's Law does prevail: bad money drives out goods.

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Conflict of WHOSE interests?

BERTEL M. SPARKS

A FEW YEARS AGO the president of one of America's major manufacturing corporations was named Secretary of Defense. Prior to his assuming the duties of his new job he was called upon, not only to resign his position as corporate president, but to arrange for the disposition of all his stock in the corporation. It was felt that this was necessary in order to avoid a possible conflict of interests. Even after he had disposed of his holdings, he continued to be the subject of much criticism because of his former business connections. It seemed that every major decision he made in his capacity as Secretary of Defense was carefully examined with a view toward finding some reason to believe that it might have been influenced by the "corporate mind." On one occasion the Secretary offered as a defense for his position a statement that what was good for the corporation he had previously headed was good for the country. The reaction of the press was immediate. The Secretary's statement made headlines in most of the major newspapers of the country. It was cited as a prime example of both the ignorance and the arrogance of successful businessmen in government.

The experience of the corporate president who became Secretary of Defense is illustrative of a growing trend of our times. The cry of "conflict of interests" as a challenge to qualification for the performance of certain civil and political responsibilities is being heard with increasing frequency. Occasionally it has been directed at elected officials but it has been par-

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ticularly noticeable where appointive ones are concerned. The idea seems to be abroad in the land that any substantial degree of success in business constitutes an automatic disqualification for public office. Experience in manufacturing, particularly if it is in heavy industry, is interpreted as a sure sign of unfitness for high position in the Defense Department. By the same standard a man who has had wide experience in banking or other types of financial management is automatically disqualified for service as Secretary of the Treasury. Similar reasoning has led others to conclude that a person who owns stock in American industry should not be allowed to sit as judge on an American court.

Who Is Qualified?

In view of the above observations, one might wonder where he should look to find suitable public officials. If experience in financial management disqualifies one from becoming a treasury official, then what is the appropriate background for the job? If management of a large manufacturing enterprise renders one ineligible for the Defense Department, who is eligible? And what is there about personal ownership of a financial stake in the continued survival and prosperity of American society that disqualifies one for service as a judge in the courts of that society? Critics might suggest that questions such as these do not go to the heart of the matter since they are related only to the technical competence or skill for the proposed job and fail to resolve the problem of personal interests that might tend to conflict with public duty. But that problem cannot be resolved without inquiring into just what personal interests are involved and what is the nature of the public duty with which these interests conflict.

The interests of a businessman in his capacity as a businessman necessarily have something to do with the success of his business. He is interested in increasing his profits. He is interested in producing his product at the lowest possible cost and selling it at the highest obtainable price. His desire to keep costs down includes a desire that his plant be shielded from violence and that it be filled with satisfied, contented workers. His desire to get a favorable price for his product includes a desire for a continuing stream of satisfied customers with money in their pockets. This adds up to nothing more and nothing less than a desire for a peaceful and prosperous society. Such a desire does not conflict in any way with the desired goals for society as a whole. In fact, the two are identical.

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Governments are established for the purpose of maintaining order. That means that the true function of government is to maintain an environment wherein a peaceful and prosperous society is possible. It means a society where voluntary exchange is permitted, where contracts are enforced, and where fraud, deception, and violence are punished. All human beings except those few who hope to become the beneficiaries of fraud, deception, and violence desire these same goals. And if the degree of the intensity of the desire may be measured by the extent of the particular person's personal or selfish interest, the desire is keenest among the most successful businessmen. It is they who stand to lose most if contracts are not enforced and if theft, burglary, and other forms of violence are not restrained. At the same time it is their selfish interests operating peacefully in a free economy that tend to bring the greatest material benefits to all. This is the normal and natural result of a free market operation because the greater the number of producers who are competing peacefully for customer attention, the wider will be the range of choice available to each customer and the greater will be the likelihood that the peculiar tastes of each one will be satisfied at the lowest possible cost.

The Founders Understood

The unity of interests between the businessman and society as a whole was clearly understood by the founders of the American Republic. The vast majority of the signers of the Declaration of Independence were well-to-do or even wealthy businessmen who saw as their primary task that of establishing a government under which freedom and order could be maintained. Their rebellion was not a rebellion against an established order but a rebellion against the efforts of a government to impose trade restrictions upon some and to grant special privileges to others, the latter being those who happened to be favorites of a parliamentary majority. For the most part the Founding Fathers served without pay and when they pledged their lives, their fortunes, and their sacred honor, their fortunes were more than mere incidental parts of that pledge. These were men of substantial means. They had much to lose and most of them actually suffered the loss.[1] They did so because they placed high value upon the long-term benefits to be derived from the

[1] A vivid account of the backgrounds of the men who signed the Declaration of Independence and the suffering, both personal and financial, they endured as a result of their having done so is presented in summary form in Fehrenbach, *Greatness to Spare* (1968).

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preservation of ordered liberty where individual freedom of choice could be maintained and where voluntary exchange of goods and services could be practiced without any intervention or coercion from governmental authority. They understood, as did the recent Secretary of Defense, that what is good for business is good for the country.

Tariffs "Protect" Producers at the Expense of Consumers

But a government can be so ordered and the governmental function so conceived that the private interests of particular individuals or particular business enterprises do conflict with public duties. This occurs most frequently when subsidies, tariffs, or other forms of special privileges are established. A steel manufacturer might reap substantial short-term benefits from a tariff law imposing a duty on imported steel. When such duties are imposed, the price of the imported product will have to go up or else the product will have to leave the market. In either event the domestic producer will be given an opportunity to sell at a higher price than would be obtainable under free market conditions. While this might be of immediate benefit to the domestic producer, it will mean higher prices for the consumer of steel products and therefore a detriment to such consumers.

But the detriment to the immediate users of steel is not the end of the story. The cost of everything dependent upon the use of steel will tend to rise. When this happens, the quantity of consumable goods the ordinary citizen can afford will tend to decline. For even if he can find some desired goods that have no direct relationship to steel (a supposition that is itself unlikely), the fact that he has had to spend more for those goods that do have that relationship will reduce the amount of money he will have available for the unrelated products. This is but another way of saying that there will be a decline in the general standard of living, or if not an actual decline, the standard will not be permitted to rise to the levels that would otherwise be achieved.

What has been said about the steel industry is equally applicable to every other item of commerce upon which import duties are imposed. A tariff on imported textile products might be of immediate benefit to the domestic textile producers, including the employees in that industry, but it is hardly beneficial to either the 20-year-old office girl or the 70-year-old widow living on a fixed income when both ladies are trying to outfit themselves with garments appropriate

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to their respective needs. And a tariff law that can keep a foreign automobile off the domestic market might appear advantageous to the domestic producer, whether he is the president of the company, a stockholder, or a laborer on the assembly line, but it is less than helpful to the school teacher seeking low-cost transportation.

Special Privileges

The common characteristic of each of the illustrations cited above is that in each instance a particular individual or a particular industry is seeking a special privilege. In each instance somebody is trying to escape the rigorous discipline of the free market. The market is a system that tends to reward those who produce the things people want at the lowest possible price. In that sense it is a system that rewards the best producers. It is a system in which the only way one can serve himself is by serving others, by producing the things or offering the services others want. But the erection of a tariff barrier is a means of artificially keeping the most desired goods or the most desired services beyond the reach of the customer. It is a system under which the customer is coerced into accepting something less than his first choice, a system for keeping marginal and substandard producers in business at the expense of consumers.

Thus it becomes clear that in the tariff cases there is a private interest that conflicts with the best interests of the public. But in each instance it is a conflict created by the departure of government from its proper function of maintaining the peace and its entry into the nongovernmental role of interfering with the operation of the market. It is a conflict created by attempts to use force rather than customer choice to dictate the production and distribution of goods.

The proper way out of this predicament is to get rid of the law creating the conflict and permit government to return to its proper function of maintaining order, thereby enabling its citizens to peacefully pursue their own happiness in the manner pleasing to them. But until that step is taken the presence of the conflict must be recognized. And if the conflict is to be avoided, the particular businessman reaping a benefit from a particular tariff law must not be permitted to participate in any decision concerning the rate or the administration of the tariff involved. Neither should he be permitted to vote for or against candidates who might be called upon to participate in such decisions.

Such a regulation of the franchise would be cumbersome indeed.

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It might even prove to be totally unworkable in its operation but it is an essential part of the operation if conflict of interests is to be avoided while the tariff law remains. And it should be kept clearly in mind that what is being dealt with is, not the interests of businessmen as a group, but the special privilege the government is extending to a particular businessman or a particular group of businessmen at the expense of all other businessmen and of society as a whole.

The Farm Bloc

What has been said about the tariff laws is equally applicable to all forms of subsidies and production controls the government might attempt to impose. When farmers are being subsidized for growing certain crops or when they are being paid not to grow others, the funds from which they are paid must be taken from other members of society. From whom shall such funds be taken and who is to decide when, how, and how much to take? These are political questions to be decided in the political arena. And any serious concern about conflict of interests would appear to dictate that farmers be excluded from the electorate when these special privileges for farmers are being voted upon either directly or indirectly.

If this were done, it would no longer be possible for legislators from the farming regions to win elections by promising their constituents to support laws imposing heavier burdens upon city laborers in order to hand out greater rewards to farmers. This is but another way of saying that candidates for office would no longer be permitted to use the tax laws to raise funds to support their own campaign efforts and to perpetuate themselves in office. Farmers would be left to seek their rewards by producing in the most efficient manner of which they are capable the products people actually want. Their rewards would be for more efficient production rather than for the precarious circumstance of being represented in legislative halls by friendly but unscrupulous power-grabbing politicians.

. . . *and Other Subsidies*

But the so-called "farm program" is only one example of special privilege being supported by government at the present time. Similar discriminatory advantages are being extended on a large scale to selected individuals or groups at all levels, Federal, state, and local. Exclusive franchises to power and transportation companies, subsidies for airport construction, Federal support to rural

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cooperatives operating electric, telephone, or other business enterprises, direct financial help to certain segments of the housing industry, government guaranteed loans to individuals or business enterprises within certain classifications, and numerous other illustrations that could be cited are instances where the taxpayers are being forced to sacrifice their own well-being in order to support individuals or industrial organizations the taxpayers have not voluntarily chosen to support.

The truth is that in most instances where these discriminatory practices prevail the beneficiaries of the special privileges are individuals or organizations whom the taxpayers, acting in their capacity as consumers in the market place, have already affirmatively rejected in favor of others who are offering goods and services more in accord with consumer wishes. If this were not so, the special privilege would not be needed. And aside from the wisdom of the sage remark of Ludwig von Mises that "the average man is both better informed and less corruptible in the decisions he makes as a consumer than as a voter in political elections,"[2] a decent respect for simple human dignity would seem to demand that the individual person should be permitted to spend his own earnings for the goods and services that are most pleasing to him.

The Vote-Buying Process

If all the concern about conflict of interests were both genuine and informed, it is doubtful if any of the recipients of special privilege would be permitted to vote in political elections. It seems a little ridiculous to permit one group of citizens to vote themselves subsidies at the expense of other citizens. Permitting them to do so extends to them the opportunity of using the power of the state, the state being the only agency authorized to use force, to impose their wills upon the nonprivileged group without regard to whether they are performing any services that are needed or desired by the nonprivileged citizens.

Under such a coercive system the continued production of unwanted products is inevitable and so is the perpetuation of incompetent and inefficient producers. It is far different from the free market where only the most efficient producers of the most wanted products can survive, where the only reward is that of a voluntary purchase by a willing customer.

A business enterprise might suffer financial embarrassment because of inefficient management or because it has misjudged market

[2] *Socialism* 21 (1951).

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demand or for any number of other reasons. Regardless of the reason for the difficulty, if the rules of the market are permitted to operate, that enterprise will have to either reform its approach or go out of business and that right early. But if government can be depended upon to rescue a failing business, the need for improvement is removed. Inefficient management is left free to continue in operation and unwanted products may continue to be produced. In either event the profits earned by the efficient producers of products the citizens want will be expropriated to subsidize the continued operation of the incompetent producers or the producers of products the citizens do not want. Consumers will be compelled to buy less, competition in foreign markets will become more difficult, and the general level of industrial activity will be forced to decline. In the short run all this will be beneficial to the inefficient producer of unwanted goods, but in the long run it will benefit no one.

Withhold the Right to Vote

The proper solution to this destructive and debilitating situation is to abolish special privileges and return to the constitutional principle of giving all citizens equal treatment before the law. But until that is done, it would seem appropriate to at least take more seriously the much-vaunted abhorrence of conflict of interests. A suitable beginning place would appear to be that of withdrawing the right to vote from persons to whom the government is extending special advantages above and beyond those that are accorded to other citizens. This doctrine should be applied to all citizens who are receiving special privileges of any kind and the term special privilege should include any privilege that is offered on an individual or group basis but not extended to the citizenry as a whole.

Presumably all citizens are entitled to the benefits of protection from murderers, thieves, marauders, or robbers. It is protection provided by government but it is protection offered to all citizens. Even the murderer is entitled to protection against being murdered. Therefore, this kind of protection is not a special privilege. It is not discriminatory. It is a privilege offered to all citizens equally.

But suppose the law against murder applied only to the killing of members of a particular occupation, religion, race, economic classification, or other identifiable group. In that rather ridiculous imaginary situation it would be discriminatory to call upon the unprotected groups to pay taxes to support a police department for the benefit

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of the recipients of the privilege of protection. It would be equally ridiculous to permit the members of the protected group to cast their ballots to decide whether the cost of their special protection should be shared by the unprotected citizens.

Unwarranted Discrimination

It is easy to comprehend the discriminatory nature of the imaginary law against murder that is restricted to the killing of a particular group while treating the vast majority as free game to be plundered and slain at will. But the fact that precisely the same type of discrimination is actually practiced in numerous other areas is often overlooked. Whether it is the manufacturer calling for a tariff law to give his product an advantage his customers have already decided it isn't worth, a farmer asking for "parity" prices which his skill and judgment as a farmer cannot maintain, or a failing business asking the government to use its power of coercion to provide it with a low-cost loan which its business performance is unable to justify, all are alike in that they are all asking that the power of the state be used to enable them to obtain by force that which they could not obtain by willing exchange. And a more direct illustration of conflict of interests could hardly be imagined than that of allowing the recipient of any one of these special privileges to vote for the granting or the continuation of the privilege.

One of the clearest illustrations of conflict of interests is that of giving the right to vote to persons on the welfare rolls. The illustration is perfect because the conflict is direct. It is permitting a nonworker who is receiving a direct subsidy at the expense of the working members of the community to participate in a decision as to whether or not the workers should have their real wages reduced in order that the special advantage to the nonworker may be continued or enlarged. So long as the nonworker is permitted to participate in the decision there can be little doubt as to how his vote will be cast.

And the influence of even a small number on the welfare rolls or other special-privilege category should not be underestimated. A significant feature of the two-party system, a system that has dominated the political process in the United States throughout most of its history, is that in most political campaigns the contest is between two parties whose constituencies have usually been fairly evenly divided. Several years ago office seekers learned that if a particular group could be singled out for special privilege and if an appeal on its behalf could be made on

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humanitarian grounds, either real or imagined, the favored group could be won almost unanimously without significantly upsetting the balance within other groups. This meant that the purveyor of special privilege could be reasonably sure of victory. As the nonprivileged citizens became more aware of the discrimination being practiced upon them, resentments began to accumulate. The political remedy presenting itself to the officeholder was that of enlarging the privileged group in order to stay in power.

This has been done with great regularity. The spiraling effect has continued at an accelerating rate as each party has tried to outdo the other in its promises of special privilege. It is the easiest and least expensive means of winning elections. The result has been that the number of privileged groups has multiplied and the population within each group has grown. In the meantime the political process has become largely a game in which the winner is little more than the fellow who can demonstrate the greatest degree of skill in selecting for special favors such groups and classifications as will round out a majority while leaving in the nonfavored, working group a sufficiently productive body of citizens to provide the favors.

Raising the "Poverty Level"

In any welfare system some figure must be chosen as the income level at which subsidies will begin. Regardless of what that figure is, it is inevitable that there will be at least some fully employed workers whose earnings are only slightly above that level. As the meager incomes of this low-income group are expropriated for the benefit of the nonworkers, the low-income workers can hardly be expected to escape discouragement. They cannot be blamed if they begin to abandon their jobs in favor of a march to the welfare office. In that way they can have more leisure time and often enjoy even higher incomes at the same time. They can claim their maximum welfare benefits while keeping themselves available for the earning of additional income as handymen, yardmen, domestic workers, seasonal agricultural employees, and similar positions taken on an irregular and unreported basis. In this way they can avoid income tax worries and enjoy a real income substantially above that of their employed friends who continue to work at regular jobs.

Under this system the cost of government will go up but the politician knows that taxes are unpopular; therefore, he will prefer deficit spending to current financ-

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ing. As the government debt increases, the supply of money will increase without a comparable increase in the supply of goods. The result is higher prices. Welfare benefits at the established level will become less attractive. But the officeholder must remain in power at all costs; therefore, he proposes an increase in benefits. This invades a still higher level of the comparatively low-income workers. They now find it advantageous to give up their jobs for the dole, thus starting another round of the boresome process on its way.

Each round of increases will become larger and will move from one phase to the next with increasing rapidity. To see the process in operation in its most carefree, runaway form one need look no further than the United States of the 1960's. That was a time when the political parties in power (and in some sections of the country that meant one party and in some sections another) were claiming unparalleled prosperity while welfare rolls were increasing at an unparalleled rate. The reasons for this inconsistent situation are not difficult to see nor was its development difficult to predict. In fact it was inevitable. It is equally easy to predict both the increasing acceleration and the ultimate consequences if established policies are continued. The next development to expect is an economically fatal but politically attractive system of wage and price controls.[3] From there the move is toward the rationing of goods and the drying up of production as scarcity mounts and the point is eventually reached when there are no longer any goods to ration.[4]

Trends Can Change

But none of this has to happen. The trend can be stopped. History teaches that there is little likelihood that it will be stopped short of disaster but history also teaches that all the necessary means for changing the course while still on safe ground are readily at hand. The downward trend is actually the fruit of man-made schemes for interfering with the productive capacity of individuals. The free operation of the market is being replaced by the coercive power of the state. And as soon as the power of the state is applied to tinker with any segment of the market in any degree, some citizen somewhere is being given a special benefit which could not exist if it were not being expropriated from citizens who are actively engaged

[3] This article was written prior to President Nixon's announcement of the wage-price freeze on August 15, 1971.—Ed.

[4] For an outline of the route to rationing see Read, "When Rationing Comes," THE FREEMAN, July, 1971.

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in the production of wanted goods.

And if the power to tinker is accepted as a proper function of government, the temptation to use the power is too strong for the politician to resist. Its use enables him to expand his popularity, and hence his personal power base, by the simple technique of enlarging the area of benefit while charging the cost to the productive citizens who are made the victims of the crudest form of discrimination. Special benefits are extended to an ever enlarging group of citizens. But every time a citizen is added to the special privilege category one is removed from the productive sector. Production declines. The politician's tenure in office comes to depend, not upon his integrity or his skill in statecraft, but upon his shrewdness and his skill in the selection of the favored groups to become the recipients of the state's bounty. But as the groups are shifted and as their numbers increase, as they inevitably must, the number left to supply the benefits is constantly diminished and the arrival at the breaking point is only a matter of time.

The overriding characteristic of this seemingly irreversible course is that production is being penalized and nonproduction is being rewarded. That is the crux of the matter and that is the point to touch if the trend is to be reversed. This can be done by an honest enforcement of a rule against conflict of interests. But enforcement will not come until there is recognition of the conflict. Let those who are receiving special privilege be excluded from the decision-making process. If they complain that they are being deprived of their political rights, remind them that they have removed themselves from the political arena and that they may restore themselves by abandoning their special privilege and joining with other citizens in a willingness to be treated equally before the law. And if a rule against conflict of interests is to be applied, its application should begin where the conflict is most direct and therefore most indisputable. If that were done the office seeker could no longer use the dole or any other form of special privilege as a scheme for buying votes. The temptation to use the power of the state to frustrate the operation of the market would decline. The inflexible rule of freedom, which is a rule that the only way one can serve himself is by serving others, might be allowed to assert itself and a period of burgeoning prosperity and well-being, such as has characterized all periods of maximum freedom in past ages, might be seen again.

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The Story of Negro Gains

HENRY HAZLITT

THE MYTH still assiduously cultivated in some quarters is that the Negro community has been sunk in hopeless poverty and despair, because it has not been allowed to participate in the general economic prosperity of the last ten or twenty years. The actual record does not support this.

What we find, in fact, is that the Negroes as a whole have not only made great absolute economic gains in this period, but gains at least fully proportional to those made by the white population.

The median income of Negro families in 1949 (calculated in 1969 prices) was $2,538. In 1959 this had risen to $3,661, and in 1969 to $6,191. Thus the median income had risen 44 per cent in the ten years from 1949 to 1959, and 144 per cent in the twenty years to 1969. This was a real gain in "constant" dollars and therefore owed nothing to the steep rise in prices during the period. The percentage of Negro families with incomes under $3,000 (also calculated in constant 1969 dollars) fell from 58.1 per cent in 1949 to 41.9 per cent in 1959 and to 20.4 per cent in 1969.

Thus the Negroes not only shared proportionately with the whites in the economic improvement of the twenty-year period, but somewhat better than proportionately. Compared with the 144 per cent increase in Negro family "real" incomes between 1949 and 1969, white family real incomes in the same period increased only 97 per cent.[1]

Henry Hazlitt is well known to FREEMAN readers as author, columnist, editor, lecturer, and practitioner of freedom. This article will appear as a chapter in a forthcoming book, *The Conquest of Poverty*, to be published by Arlington House.

[1] Source: Department of Commerce, Bureau of the Census; *Economic Report of the President*, February 1971, Table C-20, p. 220.

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Interpreting the Statistics

I have presented the figures in this way in order to emphasize the real economic progress made by the blacks in this twenty-year period. But these figures standing by themselves could give a misleading impression. They fail to call attention to the big gap still remaining between the incomes of white and black families. In 1949, when the median income of Negro families was $2,538 (in 1969 prices) the median income of white families was $4,973. In 1969, when the median income of black families had risen to $6,191, that of white families had risen to $9,794. Thus the median income of black families, which averaged only 51 per cent of that of white families in 1949, had advanced to no more than 63 per cent in 1969.

This, of course, is still far from satisfactory; but the comparison should not lead us to depreciate the extent of the blacks' real gains. Some writers talk as if the only gain worth talking about that the blacks have made is this gain in comparison with increased white incomes. But this is a captious and confused way of looking at the matter, and leads to some paradoxical results. Suppose in this twenty-year period the gains of Negro families had been the same as they were in absolute terms, but that the real incomes of white families had shown no improvement whatever. Then though only 20.4 per cent of Negro families would have had incomes under $3,000 in 1969, 23.4 per cent of white families would still have had such low incomes, as they did in 1949. And though the median income of Negro families would have been $6,191 in 1969, the median income of white families (in 1969 prices) would have been only $4,973, as it was in 1949. In both respects the Negro families, though with no better incomes in absolute terms than they actually had in 1969, would have been better off than the white families. Could this be seriously regarded as a more desirable all-around situation?

In still other ways the Negro has made great progress in the last ten or twenty years. A leading example is in the field of education. In 1957, the median years of school completed by nonwhite men (who were eighteen years of age and over, and who were in the labor force) stood at 8.0 years; for white men the corresponding figure was 11.5 years, a gap of 3.5 years. By 1967, however, the median years of schooling for nonwhite men increased to 10.2 years, and for white men the figure had increased to 12.3 years, reducing the difference to 2.1 years.

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Differences Within Groups

One trouble with all the comparisons I have made so far is that, because they arbitrarily group all whites together on the one hand, and all blacks together on the other (for the sake of making over-all comparisons), they may help to encourage the naive tendency of many people to think of the black community as a homogeneous, undifferentiated group all in the same circumstances and with the same outlook. But as Negro leaders have reminded us, for example: "Young Negroes are at least as hostile toward their elders as white New Leftists are toward their liberal parents."[2] In addition Negroes are separated by great gaps in experience – Northern from Southern, urban from rural – and great differences in income. In 1967, for example, the relative spread in incomes among the nonwhite population was even greater than among the whites. The lowest fifth of white families received 5.8 per cent of the total income of such families, the highest fifth received 40.7 per cent, and the top 5 per cent of families 14.9 per cent. But among nonwhite families, the lowest fifth received only 4.4 per cent of the total income of such families, the highest fifth 44.7 per cent, and the top 5 per cent received 17.5 per cent.

These differences are emphasized further when we compare selected groups of black families, from different regions, with the corresponding white groups. In 1969, for the nation as a whole, black families earned 61 per cent as much as their white counterparts (compared with 54 per cent in 1960). But in the North and West, black families over-all earned 75 per cent as much as white families. More striking, Northern black families with the husband and wife under age 35 both present, averaged an $8,900 annual income in 1969, or 91 per cent of the average of their white counterparts, compared with only a 62 per cent average in 1960. Still more striking, Northern black families with the husband and wife under age 24 averaged 107 per cent of the income of their white counterparts. (The Census Bureau thinks this is probably the result of a sampling error. But that the income of such black families is at least equal to that of their white counterparts is suggested by the result of a similar sampling in 1968; this showed such black family incomes averaging 99 per cent of corresponding white incomes.)

It is significant that where we find the Negroes making the least

[2] Bayard Rustin in *Harper's Magazine*, January, 1970.

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progress comparatively is in the areas where the free market is not allowed to operate. This is particularly striking in labor union membership. In the unionized trades the unwritten rule seems to be that the higher the pay, the harder it is for blacks to get in. They make up 11 per cent of the labor force. But at latest count, in such high-paying trades as plumbers, sheet-metal workers, electrical workers, and elevator constructors, less than 1 per cent of the workers are black.[3]

Minimum Wage Laws and Other Interventions Cause Unemployment

In one important respect, the position of the Negroes has retrogressed. An increasing gap has developed between the respective rates of unemployment of whites and blacks. In June of 1971, the over-all rate of unemployment among whites was 5.2 per cent, among Negroes 9.4 per cent. A difference of this sort has long existed. For example, even in the relatively good employment years 1950 to 1954 inclusive, when the white unemployment rate averaged 3.7 per cent, the rate for Negroes averaged 6.8 per cent. Part of this difference probably reflected discrimination by employers, and part of it the exclusion of Negroes from unions. In those five years unemployment among teenagers (16 to 19) was also higher, as it is now, than in the working force as a whole. But the gap in this respect between white and black teenagers was comparatively small. Unemployment among white teenagers in 1950 to 1954 averaged 10.3 per cent, and among black teenagers 11.1 per cent.

Since that time the situation has been steadily deteriorating. In June of 1971 the unemployment rate among white teenagers was 13.5 per cent, while among black teenagers it reached the appalling level of 33.8 per cent.

By far the main cause of this has been the Federal minimum wage law. Minimum wage legislation has been on the books since 1938, but in March 1956 the minimum rate was jacked up from 75 cents to $1 an hour, and it has since been raised by successive jumps to $1.60 an hour in February 1968. But the law cannot make a worker worth a given amount by making it illegal for anyone to offer him less. It can merely make it unprofitable for employers to hire workers of low skills, and therefore forces such workers into unemployment. One of the greatest helps we could give the Negro today would be to repeal the statutory minimum wage.

What our politicians still do not realize is that the greatest coun-

[3] Author's source: *Time*, April 6, 1970.

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teracting force to racial discrimination is the free market. As the economist W. H. Hutt has put it, "The market is color-blind." If an employer can make a greater profit by employing a Negro than a white man at a given job, he is likely to do it. Even the militant Negro Marcus Garvey recognized this, though in a somewhat cynical manner:

"It seems strange and a paradox, but the only convenient friend the Negro worker or laborer has in America at the present time is the white capitalist. The capitalist being selfish – seeking only the largest profit out of labor – is willing and glad to use Negro labor wherever possible on a scale reasonably below the standard union wage . . . but if the Negro unionizes himself to the level of the white worker, the choice and preference of employment is given to the white worker.[4]

In a free market, however, Negro employment does not necessarily depend on acceptance of a lower wage rate. If a Negro – say an outstanding professional baseball player or musician – is clearly superior to the best white competitor, he is likely to be employed in preference, at an even higher rate, because the employer expects to make a greater profit on him.

[4] Quoted by Bayard Rustin, *Harper's Magazine*, January 1970.

Not a Separate "Black Economy" but Full Admission to the Market

The chief hope for the economic progress of the Negroes lies not in some dream-world effort to form a separate "black economy," but in their becoming and being accepted as a more fully integrated part of a great expanding capitalist economy. In spite of the discrimination that still exists, the economic position of the Negro in the United States is not only incomparably higher than in Haiti or in any of the all-black countries of Africa, but higher than most whites even in the industrialized countries of Europe.

For what the best available statistical comparisons are worth, here they are: As compared with a median annual income of $2,138 for Negro unrelated individuals in 1968, the per capital gross national product for that year was $91 in Haiti, $238 in Ghana, $298 in Zambia, and $304 in the Ivory Coast. In Chad, the Congo, Mali, Niger, and Nigeria, it ranged from a low of $63 to a high of $88.[5]

Turning to European comparisons: In the early 1960's, when it was calculated that some 44 per cent of America's nonwhite population was below the so-called poverty line of $3,000 a year, it developed that some 75 per cent of

[5] Source: *Statistical Abstract*, 1970, p. 810.

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Britain's entire, predominantly white, population was also below that line.[6] The $2,138 median income for American unrelated Negroes in 1968 compares with a per capita gross national product for that year of $1,544 in Austria, $2,154 in Belgium, $2,206 in West Germany, $1,418 in Italy, and $1,861 in the United Kingdom.

What chiefly counts is the productivity of the whole economy; what counts is the maximization of the incentives to that productivity. And those incentives are maximized when opportunities are maximized – when we neither favor nor discriminate against any man because of his color, but treat everyone according to his merits as an individual.

[6] Author's source: M. Stanton Evans in *National Review Bulletin*, February 3, 1970.

IDEAS ON LIBERTY

They Constantly Clamor

THERE ARE PERSONS who constantly clamor. They complain of oppression, speculation, and pernicious influence of accumulated wealth. They cry out loudly against all banks and corporations and all means by which small capitalists become united in order to produce important and beneficial results. They carry on mad hostility against all established institutions. They would choke the fountain of industry and dry all streams. In a country of unbounded liberty, they clamor against oppression. In a country of perfect equality, they would move heaven and earth against privilege and monopoly. In a country where property is more evenly divided than anywhere else, they rend the air shouting agrarian doctrines. In a country where wages of labor are high beyond parallel, they would teach the laborer that he is but an oppressed slave.

DANIEL WEBSTER, in the Senate in 1833

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Dividing the Wealth

ECONOMICS, as a science, is supposed to be "value free." But, after one has pursued the subject through all its ramifications, it turns out that if men are permitted to make their own voluntary decisions about production, with the state relegated to the role of policing contracts and maintaining an honest currency, the creation of wealth, of value itself, rises to a higher pitch and more people get more goods, services, and opportunities. So, paradoxically, a "value free" subject leads one into an inevitable discussion of values. A free economic system is worth pearls and rubies when compared to any of the many permutations of socialism that more and more afflict our globe.

Howard E. Kershner, who helped found the Christian Freedom Foundation and is editor of its journal, *Christian Economics*, tumbled long ago to the fact that, as Edmund Opitz puts it, religion and the free economic system of capitalism are natural allies, not enemies. Christian voluntarism goes hand in hand with economic voluntarism; their values support and enhance each other. One can only be Christian if one is voluntarily choosing between good and evil. And it is a positive good if, as a Christian, one chooses the specific economic system of capitalism, which, if it can't exactly reproduce the miracle of manna from Heaven, at least does the next thing to it. People have more scope for freedom under capitalism, and freedom is at the heart of Christianity.

Dr. Kershner's *Dividing the Wealth: Are You Getting Your Share?* (Devin-Adair, $5.50 cloth; $2.25 paper), makes the case that free economics is a natural expression of Christian order. But his case, as set forth here, is an implicit case; in his study of "the means by which the production of wealth for individuals and for

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countries can be accelerated or retarded," Dr. Kershner limits his theological speculation to the statement that if you "put God first," then "the other things will be added, as the history of our country shows." The rest of the book, which is an uncommonly lucid one, is nicely divided into chapters that show, on the one hand, how freedom increases the capital available to each and every individual and how socialism, on the other hand, results in "decapitalizing ourselves."

The Workers' Share

Dr. Kershner begins his story with an account of a hoax perpetrated way back in 1905 by the socialist firebrand, Daniel De Leon. In a famous speech delivered in Minneapolis, De Leon produced a chart that "proved" that the American workingman in 1900 received only 17 per cent of the total national production of more than $13 billion. Going back to the Civil War, De Leon concluded that, on the average, the owners of American industry grabbed off 80 per cent of the wealth produced in their factories, while the workers got only 20 per cent.

De Leon's great error resided in his assumption that the manufacturer got everything in the final selling price of an article that was not paid out to labor in his own factory. This, of course, failed to reckon with such items as rent, interest, the cost of raw materials, the parts made by other manufacturers, taxes, accounting overhead, and the cost of sales. Since labor costs make up a large part of almost every item in the list, De Leon had monstrously perverted things. Taking the economic process as a whole, labor gets 87.5 cents out of every dollar divided between owners and workers, leaving 12.5 cents to be reserved for company growth and for dividends. These are U. S. Department of Commerce figures. In 1968 dividends accounted for only 6.7 cents of the gross dollar.

The importance of the De Leon hoax is that it still colors the thinking of the AFL-CIO and a majority of people who are polled from time to time by Dr. Gallup. In his chapter on "What Ups Prices – Wages or Profits?," Dr. Kershner quotes a statement put out by the AFL-CIO at its 1969 winter meeting in Florida. Between 1960 and 1968, so the AFL-CIO declared, profits rose 91 per cent, before-tax dividends to stockholders 84 per cent, while the after-tax take-home pay of the average nonsupervisory worker rose by only 31 per cent. What the AFL-CIO didn't say was that 60 per cent more capital was in use in 1968 than in 1960, and that the amount of profit per dollar of sales on a much larger volume of

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business had merely remained stable. The rate of return on the stockholders' equity was actually lower in 1968 than in 1960.

Professor Milton Friedman keeps saying that wage increases, even beyond productivity, do not cause inflation. Technically, of course, he is right; it is only an increase in the money and credit supply that causes inflation. But uneconomic wage increases would result in a shrinking market and consequent unemployment if the money supply were not expanded, and where is the political party that can afford to go into an election year without validating the wage increases by flushing the currency? When productivity does not keep pace, it is, as Dr. Kershner says, "the higher the wage the higher the price, and the smaller the quantity of goods that can be sold."

Government Intervention Precludes Voluntary Bargaining and Trade

Instead of trying to exact huge wage increases to offset a rise in the cost of living, Dr. Kershner thinks that labor ought to exercise a little Christian forbearance in favor of relating wage demands to productivity. But since such forbearance will probably not be forthcoming, something will have to be done to change "legislation favoring unions" and so help restore flexibility to the competitive system. How can employers resist uneconomic wage demands when competition is destroyed by bureaucratic rulings that make uncoerced collective bargaining impossible?

"We are in a vicious circle," says Dr. Kershner. "To get out we must find a way to stop the growth of the money supply and to keep labor costs per unit of production from rising." The AFL-CIO's George Meany says labor would be willing to forego some of its efforts to get "more" if the manufacturers would restrain profits. But for the past five years, as Dr. Kershner says, the return on stockholders' equity "is only about 3.9 per cent." And it follows that "you can't do much about reducing prices by working on this 3.9 per cent. It is so small in comparison with the wage factor in prices that it would make little difference if eliminated entirely. As an average figure, employee compensation is seven or eight times greater than profits."

Besides, as Dr. Kershner shows, it is the drive for profits that makes the mare go. Little, if any, profit is generated by pinching wages or by overcharging the consumer. Profit, in any nonmonopolistic situation, is something taken out of costs. If goods are not extensively used, there will be no profit, and no expanded factories employing more labor. Profit, says Dr. Kershner, "is proof that there has been ex-

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tensive use," which is good for everybody. If George Meany only knew, he is hurting both labor and the consumer when he attacks profit.

Dr. Kershner is not hopeful for the short run. He sees us "decapitalizing ourselves" by an inflation that compels enterprisers to replace a depreciated machine that originally cost $25,000 with a new machine costing $50,000. The cost of replacement means more debt and less money for expanding the economic system as a whole. Meanwhile the population keeps growing. We have reached the horrendous point where we owe more than $3 trillion, which is 50 per cent more "than our entire worth as a nation and a people." "How rich," so Dr. Kershner asks, "is a man who owes 50 per cent more than his entire wealth?" There used to be a word for it – it was bankruptcy. This assumes, of course, that the man couldn't work it off, as is unlikely, given all our current trends.

▶ UNCLE SAM, MONOPOLY MAN by William C. Wooldridge (New Rochelle: Arlington House, 1970), 160 pp., $6.95.

Reviewed by Haven Bradford Gow

THE POST OFFICE is a monopoly, and service deteriorates as a result, while deficits accumulate. Could the private sector handle the various delivery services now preempted by government, doing the job more efficiently while showing a profit? Of course, replies Mr. Wooldridge, in a chapter describing the mess government has made of the mails, and the improvements several entrepreneurs have made in various kinds of delivery in competition with the postal system.

Another chapter tackles the government school structure and describes what the free market can accomplish in the field of education. Harlem Prep is a dramatic illustration. Encouraged by parents, community leaders, and charitable organizations, a private school was established in Harlem. Students – most of them former drop-outs – are busily studying math, English, history, and even branching out into Plato and Aristotle. In 1968, twenty-seven former drop-outs received their diplomas from Harlem Prep. All received full or partial scholarships to attend such colleges as Harvard, Vassar, Wesleyan, Fordham, and the University of California. In 1969, seventy-one graduates were accepted by thirty-seven colleges and universities. One of those who received his diploma, Charles Trahan, aptly summed up the feelings of the graduates: "Next September I will

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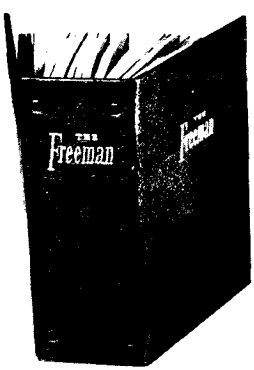
be a freshmen at Wesleyan. Last year I was blind and lost. Now I have a scholarship."

This is a lucid book, written in an engaging style. By precept and example, the author demonstrates the suffocating power of an overgrown government, and the happy consequences of relying on the creative resources of private ingenuity and enterprise. He shows what the private sector can do even in such areas as highway development, arbitration, and coinage. The author is less successful, however, in his chapter on policing, failing to realize that policing is a unique kind of performance. Policing deals in acts of force – blows from a club or shots from a gun – and these are not the peaceful and voluntary interpersonal actions which is the market in action.

The reviewer heartily concurs with the author's conclusion that "independent action encroaches on ancient habits, laws, and fiefdoms, which grew up unremarked while generations argued over whether the state should help those who wanted help. The coming generation is already struggling instead over whether the state can step aside when individuals prefer to serve themselves."



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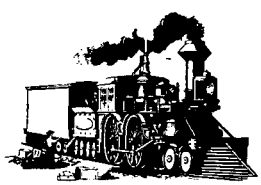

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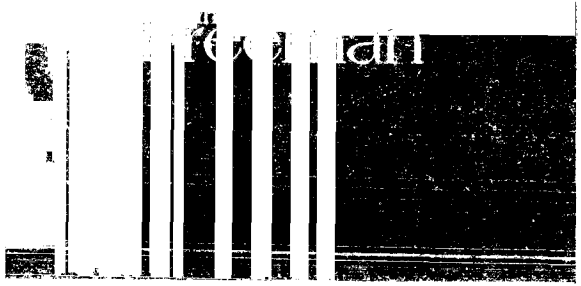

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